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WHITE PAPER ON DEVELOPMENTS IN THE EUROPEAN COMMUNITY, JULY-DECEMBER 1984

Note by the Secretary of State for Foreign and Commonwealth Affairs

Members of the Defence and Overseas Policy Committee Sub-Committee on European Questions have already seen a draft of the White Paper on Developments in the European Community, July-December 1984.

2. The attached pre-publication version is circulated for the information of the Cabinet. It will be published on 10 May.

G H

Foreign and Commonwealth Office

12 May 1985

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**Developments in the
European Community
July–December 1984**

**DEVELOPMENTS IN THE EUROPEAN COMMUNITY
JULY TO DECEMBER 1984**

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Note: Save when stated otherwise European currency units (ecu) have been converted at the 1 December 1984 market rate of 1.66 ecu = £1.

SECTION I: INTRODUCTION

1.1 This White Paper covers the Irish Presidency of the Council of Ministers from 1 July to 31 December 1984. The dominant issues were enlargement and the work to implement the conclusions of the European Council in Fontainebleau on 25-26 June.

1.2 By the end of the year, the Community was entering the final stage of the *accession negotiations with Spain and Portugal*. After a slow start in the early autumn, substantial progress was made in narrowing the gap between the Community and the applicants on the most difficult dossiers in the negotiations—agriculture, fisheries, social affairs and Spanish industrial tariff transition. This was reflected in the signature of the Joint Declaration between the Community and Portugal on 24 October. The Ministerial Conference with the Spaniards in the margins of the 17-18 December Foreign Affairs Council ended the year well with agreement between the Community and Spain on the arrangements for Spanish industrial tariff transition and for Spanish steel restructuring. The Greek Government made its agreement to enlargement conditional on a satisfactory solution being reached on Integrated Mediterranean Programmes (IMPs). The Commission is being urged to revise its IMPs proposal to bring it into line with the conclusions of the March 1984 European Council.

1.3 The *Ad Hoc Committee on Institutions*, set up by the Fontainebleau European Council, met six times under the chairmanship of Senator James Dooge and presented an interim report to the Dublin European Council on 3-4 December. The Prime Minister's representative on the Committee, Mr Malcolm Rifkind MP, put forward proposals for practical measures contributing to the development of the Community along the lines of those contained in the paper "Europe—the Future" which was circulated by the Prime Minister before the Fontainebleau European Council. The interim report reflects the United Kingdom's emphasis on the need to complete the internal market for goods and services. The Government believe that making a reality of the Treaty of Rome by implementing its key provisions on the common market would promote a more united Europe.

1.4 The *Ad Hoc Committee on a People's Europe*, also set up by the Fontainebleau European Council, met four times under the chairmanship of Professor Pietro Adonnino and presented an interim report to the Dublin European Council on 3-4 December. The Committee is working on ways of easing rules and practices which cause difficulties for individual Community citizens. The Government hope that the Committee will be able to recommend to the European Council, during the first half of 1985, a range of proposals which could be implemented quickly and which would be of direct interest to the people of Europe in their everyday lives.

1.5 Finance Ministers fulfilled the mandate given to them by the Fontainebleau European Council to agree the measures necessary to guarantee the *effective application of the principles of budget discipline*. A text incorporating these principles was formally adopted as Conclusions of the Council by the Foreign Affairs Council in Dublin on 4 December.

1.6 This text (Annex A) is the culmination of the United Kingdom's efforts over a number of years to ensure that the principles of control that govern budgetary affairs in individual member states will be applied to the budgetary affairs of the Community as a whole. For the first time the Community has achieved a framework for control over agricultural and other spending. A maximum level for all expenditure will be set by the Council each year with a separate guideline for agricultural spending, restricting its rate of growth to below that of the own resources base. The Community now has at its disposal the means of implementing effective budgetary discipline. These arrangements have been incorporated into the Community's budgetary procedures. Moreover, Finance Ministers have been given a leading rôle in reviewing proposed spending decisions so as to ensure consistency with budgetary discipline rules. These measures reinforce the efforts the Government is making and will continue to make in the agricultural price-fixing to contain the costs of the Common Agricultural Policy (CAP) and ensure that decisions are taken on a sound financial basis for Community policies.

1.7 Discussions have continued in the Council on a *revised own resources decision* embodying the budgetary corrective mechanism for the United Kingdom agreed at Fontainebleau and the decision to increase the value added tax (VAT) ceiling to 1.4 per cent. Substantial agreement has been achieved on the details of the text of the new own resources decision but no agreement has yet been reached on when new own resources will be made available. On 2-3 October, the Foreign Affairs Council reaffirmed its commitment that the United Kingdom abatement of 1,000 million ecu in respect of 1984 should be made on the revenue side of the budget in 1985 as agreed at Fontainebleau. It was also agreed that supplementary finance should be made available to meet unavoidable obligations in 1985, though no decision has yet been made as to the form this should take. At the Foreign Affairs Council on 17 December the Minister of State, Foreign and Commonwealth Office, drew attention to the need to reach final agreement on the new own resources decision as soon as possible to allow time for the conclusion of ratification procedures in all member states.

1.8 During the six month period progress was made in a number of other areas of importance. In *agriculture*, the United Kingdom maintained pressure for the quota/supplementary levy scheme in the milk sector, agreed at the price fixing to restrain milk production, to be fully and correctly implemented in all member states, and insisted that when the levy due was to be collected it must be on a basis which did not discriminate between producers in different member states.

1.9 The revised *Common Fisheries Policy* agreed in January 1983 has continued to develop. The main results have been the agreement in principle of 1985 total allowable catches (TACs) and quotas, the first occasion on which they have been agreed before the year in which they are due to come into effect, and reciprocal agreements with Norway, Sweden and the Faroe Islands for 1985. The arrangements covering Spanish fishing in member states' waters prior to Spain's accession to the Community have also been agreed. The provision in the basic regulation enabling member states to

exchange quotas has been more fully utilised in the interests of maximising the fishing opportunities of all the member states concerned.

1.10 In the important area of the *internal market*, agreement was reached on a single administrative document for customs purposes, to be introduced on 1 January 1988. This will simplify frontier formalities for traders and facilitate the computerisation of customs procedures. A package of 15 directives harmonising Community standards for a wide range of industrial products was also adopted. Useful discussions continued on proposals for speeding up the Community's programme for the harmonisation of technical product standards.

1.11 In the *industrial policy* area two telecommunications recommendations were approved at the Industry Council on 15 October. They concern harmonisation in the field of telecommunications and the first phase of opening up access to public telecommunications contracts. The Industry Council also agreed to extend the first part of the multi-annual programme on data processing for a further two years with a funding of up to 15 million ecu (£9 million).

1.12 The *Research Council* on 19 December achieved a notable success in reaching agreement on committing a further 1,225 million ecu (approximately £738 million) to cover research and development over the next four to five years, in addition to the funds already allocated for the major programmes of research on information technology (ESPRIT) and those at the Joint Research Centre. The Council agreed on the allocation of these funds between a number of important programmes, including a continuation of the Community's fusion programme and new programmes on radio-active waste management biotechnology, and industrial technologies.

1.13 In the field of *competition policy*, the Government supported the Commission's efforts to ensure the freer play of market forces in the Community's internal market for motor vehicles. In pursuit of this objective the Commission adopted a Regulation exempting *en bloc* motor vehicle selective dealership arrangements from the prohibitions in the Community's competition rules subject to a number of strict safeguards and conditions. Similar block exemption regulations were adopted in relation to patent licensing agreements and co-operation in the field of research and development giving a greater degree of legal certainty to those concerned with innovation.

1.14 On *steel*, 62.5 million ecu (approximately £38 million) was transferred from the European Community's general budget to the European Coal and Steel Community for social measures in steel closure areas. Member states reaffirmed their commitment to phasing out all state subsidies to their steel industries by 31 December 1985.

1.15 In the *environmental field* there was some significant progress. At the Environment Council in December agreement was reached on a directive providing for the introduction of unleaded petrol throughout the Community not later than 1989, or optionally earlier at the discretion of individual member states. This directive also provides for associated matters such as octane levels of unleaded petrol and the lead content of

leaded petrol. The introduction of unleaded petrol was one of the new policy priorities agreed at the Fontainebleau European Council following an earlier United Kingdom initiative. The Council also set the framework for further work to bring forward solutions on reductions of emissions from petrol-engined vehicles. The Council expressed its sense of shock at the environmental disaster in Bhopal and stressed the urgent need to deal with the problems posed by dangerous chemicals.

1.16 The Transport Councils in November and December made significant progress on a package of *inland transport* measures culminating in the adoption of several new instruments. Most important of these was a directive harmonising certain lorry weights and dimensions in the European Community. The United Kingdom successfully negotiated a derogation from this directive which ensures that no increases are required in the present maximum lorry weights in this country. The Council also took a small but useful step towards liberalisation of road transport by agreeing to a doubling over five years of the number of permits available to road haulage operators in the Community. Further measures in the package included the allocation of funds for transport infrastructure support and the designation of 1986 as European Community Road Safety Year.

1.17 In the *social and employment field* proposals on long-term unemployment and positive action for women and a third programme for the exchange of young workers within the Community were adopted. In 1984 the United Kingdom continued to be the largest beneficiary from the European Social Fund.

1.18 Discussions of *energy* issues centred on the Commission's reviews of member states' energy, energy saving and energy pricing policies. While welcoming these useful contributions to the better understanding of other member states' policies, the United Kingdom was once again disappointed at the lack of progress towards a decision supporting investment in the economic production of solid fuels.

1.19 On *external trade* the Community decided to accelerate certain tariff cuts agreed in the Tokyo Round of multilateral trade negotiations. The Government welcomed the agreement within the General Agreement on Tariffs and Trade (GATT) to pursue further work on trade in services and in agricultural products and on the containment of trade in counterfeit goods. The Community continued to work for agreement by all members of GATT that there should be a new round of multilateral trade negotiations. The Community continued to encourage Japan to open further its market to imports of goods and services. The Community welcomed the Japanese Government's assurances that moderation in exports of certain sensitive products to the Community would continue in 1985. The Community continued to urge the United States Government to resist protectionist pressures and joined in widespread representations against the introduction by that country of stricter textiles import regulations. Community efforts to encourage the removal of the unitary system of taxation in the United States continued. The Government welcomed the formal adoption by the Council on 17 September of the Common Commercial Policy Regulation.

1.20 The Community and member states have taken a lead in the international response to the *famine in Ethiopia* and the other drought-stricken African countries. In addition to substantial emergency aid announced in November, the European Council in Dublin on 3-4 December pledged the Community and member states to provide 1.2 million tonnes of cereals before the next harvest.

1.21 Negotiations with the African, Caribbean and Pacific states on a *third Lomé Convention* were successfully concluded, so heralding the third quinquennium of this unique aid and trade relationship between the Community and over half the world's developing countries—more than half of them Commonwealth members.

1.22 In the field of *political co-operation* the Ten continued to harmonise their policies on major international issues including East/West relations and the Middle East. They agreed on a set of measures to combat the problems of terrorism and abuse of diplomatic immunity and laid the basis for a new relationship with the countries of Central America.

SECTION II: ENLARGEMENT

2.1 Following the reaffirmation at Fontainebleau of 1 January 1986 as the target date for the accession of Spain and Portugal, the Irish Presidency accelerated the pace of negotiations with a series of extra Foreign Affairs Councils to discuss enlargement between September and the end of the year. Initial progress was slow; the most politically and economically sensitive issues were being discussed, and there was real difficulty in agreeing Community positions to put to Spain. On olive oil and wine, northern member states sought commitments to internal reform to reduce surpluses before Spain, with her great productive potential, became fully integrated into the Community agricultural support system. Fisheries too posed difficulties since it was felt that early unrestricted access to Community waters and resources for Spain's very large fishing fleet would jeopardise the balance of the Common Fisheries Policy.

2.2 The Community agreed a position on olive oil in October, by which Spain would not transit fully to the Community régime for olive oil until it had been reformed. The Dublin European Council adopted internal measures to reduce surplus wine production and reform the common organisation of the market for wine, and this enabled the Community to agree a position on wine for the accession negotiations. Agreement was also reached at Dublin on a Community position on fisheries, envisaging a long transitional period during which Spanish access to Community waters and resources would be strictly controlled.

2.3 Due to these delays, the Community was not able to meet the Fontainebleau deadline for conclusion of the accession negotiations with Spain and Portugal. But steady progress was made in clearing up technical points and the Community and Portugal were able to record a large measure of agreement with signature of the Joint Declaration in Dublin on 24 October. Agreement was reached with Portugal in the margins of the 3-4 December Foreign Affairs Council on extension of the Pre-Accession and Car Protocols to the EC/Portugal 1972 Agreement. An important advance in the negotiations with Spain was agreement at the Ministerial Conference on 17-18 December on transitional arrangements for the dismantling of Spain's highly protectionist industrial tariff régime and the restructuring of her steel industry. Spanish industrial tariffs will be reduced by 52½ per cent by the end of the third year after accession, in the context of a seven-year transitional period. In addition, there will be special arrangements for a reduced duty quota for 32 thousand cars in the first year after accession, rising to 40 thousand in the third year at a tariff of 17.4 per cent; this will provide substantial opportunities to United Kingdom exporters. On steel, it was agreed that Spain should continue state aids for three years after accession, but that while state aids continued Spanish exports to the Community would be restrained.

2.4 At the Dublin European Council, Greece made clear that she was not prepared to give her final agreement to enlargement until she had received satisfaction on her demands for Integrated Mediterranean Programmes (see paragraph 6.3). This general Greek reserve remains, but has not inhibited negotiations on individual issues.

SECTION III: FUTURE DEVELOPMENT OF THE COMMUNITY

3.1 The *Ad Hoc Committee on Institutions* set up by the Fontainebleau European Council met for the first time on 28 September and held five subsequent meetings. The Prime Minister's personal representative was Mr Malcolm Rifkind, Minister of State, Foreign and Commonwealth Office. In the interim report* presented to the Dublin European Council a broad range of ideas were set out aimed at improving European co-operation and strengthening the institutions of the Community and their decision making capacity. Amongst the many subjects covered (but not necessarily agreed by all) in the interim report were the need for a true political entity amongst European states, a genuine internal market ensuring the free movement of people and goods, the development of the European Monetary System (EMS), a more coherent external Community policy, easier decision making in the Council, a strengthened Commission and an enhanced rôle for the European

* Published in February 1985.

Parliament in the affairs of the Community. The United Kingdom representative entered reservations on passages on the development of the EMS, selection of Commissioners, powers of the European Parliament and the holding of an intergovernmental conference. The Dublin European Council asked the Committee to continue its work with a view to securing the maximum degree of agreement and to complete its work and submit a report for its next meeting in March 1985, which, after preliminary consideration at that meeting, will be the main subject of the European Council in June 1985.

3.2 The "*People's Europe*" Committee also set up by the Fontainebleau European Council first met on 7 November and three times thereafter. Representatives on this Committee agreed to concentrate on practical actions likely to be of benefit to the ordinary citizen and emphasised the need for easier personal travel and movement of goods, freedom of establishment, recognition of professional qualifications and youth exchanges as priority areas. The Committee gave a preliminary report to the Dublin European Council listing these and other themes which will be developed in a further report to the European Council in March 1985.

SECTION IV : ECONOMIC, BUDGETARY AND MONETARY MATTERS

Post-Fontainebleau Negotiations

Budgetary discipline

4.1 The Fontainebleau European Council on 22-24 June adopted the conclusions of the March European Council on budgetary discipline and asked Finance Ministers to complete the work to agree the measures necessary to guarantee the effective application of these principles. Following preparation by the group of senior representatives of Finance Ministers, the question was discussed at the Ministers' informal meeting on 15-16 September and at the Council meetings of 1 October and 12 November. The Council on 1 October reached a broad measure of agreement, while that of 12 November finally established the Council's common position on the text which was endorsed by the Foreign Affairs Council on the same day. On 21 November the Council met a delegation from the European Parliament to hear the latter's views on the proposed agreement. The Foreign Affairs Council on 4 December in Dublin formally adopted the agreed text as the conclusions of the Council. It also adopted a separate conclusion, in which it confirmed that the Council would invite the views of the European Parliament before setting the reference framework each year and would explore ways of further co-operation with both the Commission and the European Parliament.

4.2 The main characteristics of the budgetary discipline agreement, which the Council has bound itself to observe, can be summarised as follows—

- (a) the establishment of an overall reference framework covering all budgetary expenditure and incorporated in the budgetary procedures of the Community;
- (b) a guideline to ensure that the rate of growth of agricultural expenditure will be less than that of the own resources base. The Commission has agreed to draw up its price fixing proposals in the light of this guideline;
- (c) provision for Finance Ministers to be much more closely involved in the decisions of spending Councils, especially if the latter look likely to exceed the reference framework, or, in the case of Agricultural Ministers, the Commission's original price proposals;
- (d) provision whereby any excess agricultural expenditure is clawed back over the two succeeding years;
- (e) an undertaking to observe strictly the existing Treaty provisions on the maximum rate governing the amount of money available each year for non-obligatory expenditure.

The principles of budgetary discipline will apply to the 1986 budgetary exercise. Any spending decisions reached during 1985, including the 1985 agricultural price-fixing, which have an impact on the 1986 budget will be subject to the budgetary discipline rules.

New own resources and budgetary imbalances

4.3 The Commission brought forward in July its proposals for a new own resources decision to give effect to the Fontainebleau agreement to increase the VAT own resources ceiling to 1.4 per cent by 1 January 1986 at the latest. In accordance with the Fontainebleau conclusions, the proposals included the mechanism for the United Kingdom's abatements in respect of 1985 onwards. In addition, they provided for the United Kingdom's flat-rate abatement of 1,000 million ecu in respect of 1984 to be made available by reduction of the United Kingdom's VAT payments.

4.4 Following discussion among officials in Brussels, a slightly revised version of the text was tabled for discussion at the 2-3 October Foreign Affairs Council. Most member states (including the United Kingdom) could agree that a limited amount of new own resources should be brought forward into 1985 to cover the Community's inescapable financial obligations, including the United Kingdom's abatement in respect of 1984. Final agreement was not possible because two member states were unable to agree that new own resources should be brought in before 1 January 1986. Nevertheless the Council confirmed that the United Kingdom abatement in respect of 1984 should be made on the revenue side of the budget in 1985. Following progress on enlargement at the Dublin European Council, the Foreign Affairs Council on 17 December instructed officials to do further urgent work on the text, with a view to the Council being able to adopt a common position on it at an early date.

Refunds

4.5 The Economic and Finance Council on 9 July gave a favourable opinion on the Commission's proposal to transfer the 1983 refunds provision from the reserve chapter 100 of the Budget to the budget lines. The European Parliament's interim Budgets Committee gave its approval in principle to the transfer, but the President of the Parliament refused to sign the formal letter of approval and recommended that the transfer should be considered by the new European Parliament. The European Parliament rejected the proposal at its July plenary session but said that it would reconsider it when the Council submitted the supplementary budget to deal with the 1984 cash shortfall, which was still under negotiation in the Council at that time.

4.6 On 3 October the Commission presented a second transfer proposal. On the same day the Council agreed to call up the additional resources needed to establish a supplementary budget for 1984 through an Inter-governmental agreement. The Council gave a favourable opinion on the second transfer proposal and the transfer was approved by the European Parliament on 10 October. On 18 October the Commission announced their decisions on the allocation of the refunds, the Advisory Committees set up under Regulations 1888-90/84 having given approval on 26 July to the Commission's draft decisions on the allocation of the refunds to measures in the United Kingdom and Germany. Payment of £528 million, 90 per cent of the full gross provision, was made to Departments on 26 October. The balance is being paid as the Commission carry out spot checks to ensure that the measures have been carried out in accordance with Regulations 1888-90/84.

Budget Questions

1984 Supplementary and Amending Budget

4.7 The Commission presented the 1984 preliminary draft supplementary and amending budget on 6 July. The budget provided for an increase of 1,999 million ecu (£1,235 million)* in payment appropriations, of which 1,983 million ecu (£1,225 million) was for additional agricultural expenditure. The payment appropriations exceeded the total available own resources under the 1 per cent ceiling by 2,071 million ecu (£1,279 million). The Commission proposed that this shortfall should be financed by an advance of own resources from member states.

4.8 The Commission's preliminary draft supplementary budget for 1984 was discussed at Budget Councils on 19-20 July and 6-7 September. The proposed amount of supplementary financing was reduced first to 1.35 billion ecu and then to 1,003 million ecu—less than half the Commission's original proposal. The United Kingdom argued on both occasions, with support from some other member states, that the size of the overrun should be reduced so far as possible by examining the scope for savings and deferrals. At the September Budget Council the Government concluded that the figure of 1,003 million ecu for supplementary finance could not be

* Converted at the rate of 1.6192 ecu = £1 used by the Commission for the 1984 Budget.

further reduced and was justified by the need to enable the Community to meet its essential commitments, including those to United Kingdom farmers and traders.

4.9 As regards the method of making the supplementary finance available, the decision reached at the Foreign Affairs Council on 2-3 October was that this should take the form of an inter-governmental agreement between member states. On this basis the 1984 draft supplementary and amending budget was established. At its plenary session on 23 October the European Parliament voted to increase the amount of supplementary finance under the inter-governmental agreement to 1,475 million ecu. This amendment was rejected by the Budget Council on 24 October and the budget was finally adopted by the European Parliament on 25 October without any increase in the amount of supplementary finance.

4.10 The inter-governmental agreement (text at Annex B) noted that the British Government would be in a position to complete its national procedures only when the United Kingdom had received its refunds for 1983 and the Council had reached agreement on the measures necessary to guarantee the effective application of budget discipline. The receipt of the 1983 refunds and the Council's agreement on budget discipline met these conditions.

1985 Draft Budget

4.11 The 1985 Preliminary Draft Budget containing some 28,104 million ecu (£16,067 million)* in payment appropriations and some 30,228 million ecu (£17,282 million) in commitment appropriations was considered by the Budget Council on 18-20 July. The Council agreed to bring the initial draft budget within the 1 per cent VAT ceiling by a reduction of 1,314 million ecu (£751 million) in agricultural expenditure. The agreement was provisional because several member states were only prepared to accept reductions if a commitment were given to finance any unavoidable agricultural overrun in 1985.

4.12 At the 2-3 October Foreign Affairs Council, it was finally agreed to establish the 1985 draft budget on the basis of a declaration that the Council would undertake to meet the Community's inescapable financial obligations in 1985, including the United Kingdom abatement in respect of 1984 as agreed at Fontainebleau.

4.13 At its plenary session on 14 November, the European Parliament proposed a number of amendments and modifications to the 1985 draft budget, including a substantial increase to agricultural expenditure, which would have taken the budget some 3 billion ecu above the 1 per cent VAT ceiling. The European Parliament also voted to include provision for the United Kingdom's compensation in respect of 1984 on the expenditure side of the budget. The Budget Council on 29 November rejected most of the Parliament's amendments in order to bring the budget back within the 1 per cent ceiling but agreed to make memorandum entries in the budget in respect of 1,314 million ecu of inescapable excess agricultural expenditure in 1985, as envisaged in the Council declaration of 2 October. These figures were not included in the budget totals.

* Converted at the rate of 1.74914 ecu = £1 used by the Commission for the 1985 Budget

4.14 On 13 December the European Parliament rejected the 1985 draft Budget on the grounds that it did not cover 12 months of revenue and expenditure. As a result of the European Parliament's decision the Community has had to operate a régime of provisional twelfths from 1 January 1985. This limits the payment appropriations in each month to one-twelfth of the total appropriations on a chapter by chapter basis in either the 1984 Budget or the 1985 draft Budget, whichever is the lower. VAT own resources are restricted to the same as during the previous year.

Other Economic and Finance Council Business

4.15 At the Economic and Finance Council on 9 July, Ministers approved the second tranche of 1.4 billion ecu (about £843 million) of the new Community instrument facility. This facility established in 1978, enables the Commission to borrow funds on the capital market for on-lending, through the intermediary of the European Investment Bank, for energy, industry and infrastructure projects in member states. Ministers also considered the proposal for a decision on the application of a sector understanding on export credits for nuclear power stations, the 14th VAT directive, and fiscal measures to encourage co-operation between undertakings in different member states.

4.16 On 15 September Economic and Finance Ministers adopted a Council Decision amending article 1 of Council Regulation 3180/78, thereby revising the composition of the ecu to bring it more fully into line with underlying economic criteria in the member states, and to include the Greek drachma.

4.17 Economic and Finance Ministers continued their regular reviews of the economic situation in the Community and at the 10 December Council reached agreement to adopt the Commission's annual report on the economic situation. The Council also agreed to extend for two years the medium term financial assistance facility and adopted negotiating mandates on export credits for aircraft and mixed credits. The Council considered a number of other issues including Commission proposals on strengthening the European Monetary System; European Agricultural Guidance and Guarantee Fund (EAGGF) guidance expenditure; the non-life insurance services draft directive; measures concerning travellers' allowances; and the draft unit trust directive.

European Monetary System (EMS)

4.18 Following work carried out by the Committee of Central Bank Governors and the Monetary Committee, a package of measures to strengthen the EMS was put together into a draft Council resolution by the Commission. The list of proposals covered the strengthening of convergence and surveillance procedures; progress on financial integration; developing the use of the ecu for official Community transactions and by certain non-member states' central banks and international monetary institutions; promoting the private use of the ecu in international private markets; and

guidelines for the continued development of the EMS. The draft resolution has been referred back to the respective committees for further consideration, until agreement can be reached on a complete package.

Customs Union

4.19 Work on harmonisation of customs and VAT legislation continued. At the Internal Market Council on 18 December agreement was reached on the basic regulation introducing a single administrative document for controlling exports, transit and imports, and on the regulation introducing a specimen single document. The necessary implementing work, including trials of the document, is to be undertaken in preparation for its introduction on 1 January 1988.

Excise Duties

4.20 The Commission has asked the European Court to consider the United Kingdom's criteria for granting relief from duty on alcohol used in perfumed spirits and toiletries. The Commission had previously contended in a Reasoned Opinion issued in November 1983 that United Kingdom practices were in breach of the Treaty of Rome; the United Kingdom's reply refuted the allegation but indicated that although the marketing requirements would be retained, the denaturing requirements were to be relaxed. The matter has now been referred to the Court.

SECTION V: AGRICULTURE AND FISHERIES

Structural Measures

5.1 The Agriculture Council on 22-23 October agreed to extend the existing agricultural structures measures to 31 December 1984 to allow further time for consideration of the Commission's new structures proposals.

New Zealand Butter

5.2 Arrangements for the import of New Zealand butter into the United Kingdom on special terms for the five years 1984-88, agreed in principle at the Agriculture Council on 18-19 June, were finally adopted by written procedure during July.

Semi-Skimmed Milk Powder

5.3 The Agriculture Council on 30-31 March had agreed to consider a measure providing for aid to be granted on skimmed milk powder with a fat content between 9 and 11 per cent used for animal feed. General rules providing for such a measure were adopted by a qualified majority vote by the Agriculture Council on 16-17 July. The United Kingdom voted against

the measure because it was considered not to be cost effective. The measure will be re-examined, in the light of experience, before the end of the 1985-86 milk marketing year.

Australia and New Zealand Cheese

5.4 The Council on 22 November adopted decisions on the conclusion of agreements between the Community and Australia and the Community and New Zealand on the amendment of the existing joint discipline arrangements concerning cheese. The amendments involve both the suspension of the application of the Community free-at-frontier values and the increase in the import levy provided for in the original agreements. In order to implement these arrangements changes were required to existing Council legislation concerning the conditions under which such cheeses may be imported. A proposal to make such changes was adopted by the Council on 26-27 November.

Sheepmeat and Beef

5.5 In July a Council decision was adopted by written procedure authorising an exchange of letters with New Zealand to prolong the arrangements for exports to Community markets considered to be sensitive areas (France and Ireland). At the Agriculture Council of 10-11 December a decision was adopted which allows the Commission to interchange live animal and meat quantities laid down under the voluntary restraint agreements to meet the short term needs of trade. On 19 December the Council adopted a regulation making arrangements for the import of sheep and sheepmeat during 1985 from third countries which had not concluded voluntary restraint agreements with the Community. It also agreed to open a Community import quota for 1985 of 2,250 tonnes of buffalo meat.

Pigmeat

5.6 The Agriculture Council on 13 November adopted a regulation determining a new scale for grading pig carcasses according to lean meat content. The regulation is effective from 1 January 1985, but member states have four years in which to comply.

Animal Health and Meat Hygiene

5.7 The Agriculture Council on 10-11 December agreed to the extension without time limit (subject to triennial review) of existing arrangements for controlling imports of cattle and pigs into Great Britain. The Northern Irish import arrangements will be put on the same basis as those for Great Britain after 30 September 1985. These derogations under Council Directive 64/432 and 72/461 protect livestock against foot and mouth disease.

5.8 At the same Council, agreement was reached to continue without deadline—but subject to review in 1986—the derogations from the immersion chilling and evisceration requirements of the Poultry Meat Directive (71/118). The Council also agreed to proposals concerning financing health inspections and controls for red meat and poultry meat. It also agreed to a Directive (84/644) amending Directive 64/432 which gives recognition to certain

additional tests for brucellosis. This will allow member states to take advantage of developments on brucellosis testing procedures in national herds without adversely affecting their status for intra-Community trade.

Animal Feedingstuffs

5.9 The Council on 29 November adopted proposals to amend Directive 70/524 for strengthening the approvals procedure for both medicinal and non-medicinal additives used in feedingstuffs, and for detailed labelling requirements for additives, and also conditions applicable to manufacturers of additives.

Plant Health

5.10 On 28 June the Council adopted Directive 84/378 which amended the technical annexes of Directive 77/93 dealing with the protective measures necessary to prevent the introduction of harmful organisms of plants or plant products into member states.

Olive Oil

5.11 In July the Agriculture Council agreed on a series of measures to improve financial controls over the payment of olive oil production aid. The new rules include the establishment of special agencies in the main producer countries to assist with the administration of the aid.

Alcohol

5.12 On 13 September the Commission introduced countervailing charges on French agricultural alcohol exported to other member states (Regulation 2541/84). This charge is designed to redress the imbalance created on member states markets, including the United Kingdom, by imports of low priced French alcohol.

Wine

5.13 The Dublin European Council on 3-4 December decided (with a general reserve by Greece) on a series of internal measures to reduce surplus wine production and to reform the common organisation of the market for wine ahead of enlargement of the Community. Agriculture Ministers were asked to decide before the European Council in March 1985 on the detail of the measures.

Processed Fruit and Vegetables

5.14 The Agriculture Council on 16-17 July considered a proposal for the implementation of the permanent minimum import price (mip) arrangements for dried grapes. The proposal failed to meet United Kingdom requirements, and was not agreed. The new mip arrangements, which would have extended to currants as well as sultanas and raisins, could not therefore be introduced for the 1984/85 marketing year on 1 September, and the Commission acted to continue the existing mip arrangements under its own powers.

European Agricultural Guidance and Guarantee Fund (EAGGF)

5.15 During 1984 United Kingdom receipts under the Guarantee section of the EAGGF were £1,246 million, compared with £993 million in the previous year. Receipts during the last half of 1984 amounted to £630 million, with the main areas of benefit being payments for export refunds on cereals, milk and beef, skimmed milk aids, butter storage and beef and sheepmeat premiums. United Kingdom receipts from the Guidance section of the EAGGF amounted to £69 million in 1984 compared with £87 million in 1983. During the latter half of 1984 receipts were £62 million, with £4 million for direct (project type) measures, £3 million for non-marketing of milk and £55 million for indirect (reimbursable) measures.

Fisheries—Internal

5.16 The Fisheries Council on 10 September agreed two changes to the regulation on 1984 total allowable catches (TACs) and quotas for member states. These were an increase in the TAC for the Clyde herring stock and a decrease in the North Sea sprat TAC. Other changes were agreed as matters of urgency at Councils other than Fisheries. These included increases in the TACs and quotas for the following stocks—South-East Ireland plaice, Manx herring; South-West Ireland herring; and Eastern and Western Channel sole. A decrease in the West Greenland salmon TAC was agreed following a decision in the North Atlantic Salmon Conservation Organisation in July.

5.17 The Fisheries Council on 10 September also agreed a number of amendments to the Technical Conservation Regulation. The most significant change was the removal, from 1 January 1985, of the derogation allowing bottom trawlers to retain unlimited quantities of mackerel in the "box" area off South West England. At the same Council, a temporary derogation to the Conservation Regulation was agreed, which increased—from 1 October 1984 to 31 May 1985 only—the level of whitefish by-catches allowed when fishing for Norway pout in the North Sea. Following this Council decision, a Commission regulation was agreed in November which set out a procedure for sampling by-catches when fishing for Norway pout and other industrial species. Agreement was also reached on two other Commission regulations—one laying down rules for the measurement of mesh sizes, and the other defining permissible attachments to nets, and how they may be used, when trawling.

5.18 The Fisheries Council on 4 December agreed to amend the conditions laid down for fishing TACs in 1985 by lifting the prohibition on fishing for mackerel off North-West Scotland during December. It also agreed guide prices for 1985 and an increase in the Community availability of North Sea saithe for 1984 following discussion with Norway.

5.19 The Fisheries Council on 19 December agreed in principle to TACs and quotas for 1985 and to their implementation on a provisional basis until 20 January 1985. Agreement was also reached on a tariff quota of 10 thousand tonnes for fresh and chilled herring from 1 January to 14 February 1985 and to the ending of the Community's autonomous tariff suspension on dried and salted cod.

External Régime

5.20 Negotiations were concluded with a number of third countries on the fishing arrangements for 1985. These provided for fishing by Norwegian, Swedish, Faroese and Spanish vessels in the waters of member states and for fishing opportunities for member states' vessels in the waters off Norway, Sweden and the Faroe Islands as well as off Canada and in the North West Atlantic Fisheries Organisation (NAFO) Regulatory Area. An agreement was yet to be concluded with Norway and Sweden on the 1985 fishing arrangements in the Skagerrak and Kattegat. The Fisheries Council on 19 December agreed in principle to the agreements with Norway, Spain and the Faroe Islands and to their implementation on a provisional basis until 20 January. The same Council also agreed to the provisional implementation of arrangements for member states fishing in Greenland waters in 1985 until completion of the ratification procedures concerning the Treaty providing for the withdrawal of Greenland from the Community.

5.21 A new fisheries agreement was concluded with the United States following the expiry of the previous agreement in 1984. The new arrangements will be in force for the next five years. The Fisheries Council also agreed on the 1985 licensing arrangements for third country vessels fishing off French Guyana.

SECTION VI: REGIONAL POLICY, THE INTERNAL MARKET AND INDUSTRIAL AFFAIRS

Regional Policy

6.1 The size of the European Regional Development Fund (ERDF) for 1984 was about £1,310 million of which some £1,242 million was set aside for the quota section. Allocations to the United Kingdom from the quota section in 1984 for grants to industry and infrastructure were £371 million. In late December the United Kingdom also had three programmes agreed in principle under the second round of non-quota measures which will provide £89 million over a five year period to 1989. The programmes will generate new economic activity through direct and indirect aids to small firms in areas suffering from decline in the steel, shipbuilding and textile industries. In addition the United Kingdom has continued to receive aid under the first round of non-quota measures, for 1981-1985, from which it had been allocated about £32 million. By the end of 1984 the United Kingdom had been allocated over £1,620 million from the Fund since it began in 1975.

6.2 The main Regulation governing the operations of the ERDF was repealed at the end of 1984 and was immediately replaced by the agreed new Regulation. Discussions continued on the Commission's proposals for four new ERDF non-quota section regulations. Two of these would

provide assistance, of the kind already available in the United Kingdom, for shipbuilding and textile areas in some other member states. The third would reinforce existing assistance for the Republic of Ireland and Northern Ireland. The fourth regulation would provide aid for areas where fisheries activities are concentrated and would be related to the effects of Community fishing policy; for the United Kingdom, the Commission proposes that Hull and Grimsby would be eligible.

Integrated Mediterranean Programme (IMPs)

6.3 Discussions continued on the proposals for IMPs to help mitigate the effects of enlargement on the Mediterranean members of the Community. Most member states were prepared to launch IMPs in 1985 in accordance with the March 1984 European Council conclusions. These provide that IMPs will form part of the existing structural funds whose financial resources, having regard to IMPs, will be significantly increased within the limits of financing possibilities. But Greece insisted on substantial additional sums of money as envisaged by the Commission's proposals. When it was apparent that no agreement would be reached at the Dublin European Council, the Greek Government declared that it would be unable to give final agreement to the enlargement of the Community until a satisfactory agreement had been reached on IMPs. At the Foreign Affairs Council on 17-18 December, the Commission agreed to reflect on whether to prepare an amended proposal.

Northern Ireland

6.4 In November the Commission presented a report to the European Parliament on the impact of Community policies and actions in Northern Ireland. The report recognised Northern Ireland's peripheral position in the European Community and its less prosperous social and economic conditions than most other regions, particularly its high unemployment; it went on to suggest possibilities for future development including specialisation in industries based on new technologies. The United Kingdom is discussing with the Commission ideas for a major economic development study of Northern Ireland, to ensure an agreed framework for future actions to promote development.

6.5 In November the Commission approved the second payment under the Belfast urban renewal Regulation (1739/83). The payment of 33 million ecu (nearly £20 million) is in respect of infrastructure projects in the Belfast area.

European Investment Bank (EIB) : Loans

6.6 EIB foreign currency loans to the United Kingdom totalling £500 million were approved over the period. £223 million of this sum went to private industry, mainly to the development of the natural gas field in the United Kingdom sector of the North Sea and to help small and medium sized enterprises in the Assisted Areas. The remaining £277 million went to public sector bodies for infrastructure and communications projects.

Internal Market

6.7 The Foreign Affairs Council on 17 September adopted the package of 15 directives under Article 100 of the European Economic Community (EEC) Treaty which had previously been blocked by the problem of Community certification of products from third countries. These directives harmonised member states' technical regulations for a range of industrial products including the permissible sound levels of certain items of construction plant and equipment, lawn-mowers and electro-medical equipment. Agreement was reached at the 18 December Internal Market Council on the regulations to introduce the single administrative document for customs purposes, and to prescribe the standardised format to be used for the import, export and transit of goods in free circulation within the Community. (See paragraph 4.19). The Commission made a statement at this Council on the continuing progress being made on the scope for a wider reference to standards in Community legislation.

Industrial Policy, Information Technology Standards and Data Processing

6.8 The Industry Council met on 15 October, 22 November and 17 December. In addition to measures relating to steel (see paragraph 6.12) the Council agreed two telecommunications recommendations concerning harmonization in the field of telecommunications and the first phase of opening up access to public telecommunications contracts. The Council also reviewed the progress made in the field of telecommunications and endorsed broad objectives giving direction to future work. The Conference of European Postal and Telecommunications Administrations (CEPT) will draw up common standards and type approval specifications, having regard to Community priorities. This follows the signing in August of a memorandum of understanding between the Commission and the CEPT.

6.9 The Industry Council also agreed to extend the first part of the multi-annual programme on data-processing for a further two years. Five million ecu (£3 million) will be spent on support for the development and harmonisation of information technology standards until a new programme, dedicated to this task, can be established. The high level group established by Industry Ministers to oversee information technology standards work met on 25 July and 16 November. Broad priorities within the wide range of information technology standards have been established, with Open Systems Interconnection standards given top priority. Detailed lists of individual standards are being drawn up based upon existing international work in the International Standards Organisation. In line with United Kingdom initiatives in this area the programme is designed to ensure that a range of identical standards is available in all European countries, so reducing barriers to trade and simplifying the interconnection of different information technology systems. The remainder of the financing under the first part of the multi-annual programme on data-processing will be devoted to basic research and investigations into public purchasing policy and "knowledge of the sector". The second part of the multi-annual programme on data-processing has progressed to the selection of projects in ADA (an advanced computing language) and in distributed databases for which the Commission has now drawn up a shortlist.

Scientific and Technological Research

6.10 The Research Council met twice, on 6 November and 19 December 1984. The Council agreed that science and technology activities should be maintained as high priorities for the Community, and that the goals and the criteria set out in the framework programme for Community science and technology activities for 1984-87 should be used as the basis for programme decisions. It also reaffirmed its agreement to a gradual increase in expenditure for Community research and development activities, while noting the need to take account of the exceptional financial and budgetary constraints which the Community is currently experiencing.

6.11 Against this background, agreement was reached at the December Research Council on further expenditure on research programmes of 1,225 million ecu over the next four to five years. The Council agreed on the allocation of these funds between six new programmes. The budget for the fusion programme was agreed at 690 million ecu (approximately £415 million) over five years (1985-89). Programmes on radiation protection and radioactive waste management were agreed at a total budget of 120 million ecu (approximately £72 million) over five years (1985-89). A biotechnology programme was agreed at 55 million ecu (approximately £33 million) over five years (1985-89). A programme for the stimulation of scientific and technological interchange was agreed at 60 million ecu (approximately £36 million) over four years (1985-88). A programme of basic research in industrial technologies (BRITE) was agreed at 125 million ecu (approximately £75 million) over four years (1985-88). A third non-nuclear energy programme was agreed at 175 million ecu (approximately £105 million) over four years (1985-88). A reactor safety programme was absorbed within the existing Joint Research Centre work programme at no additional cost. Agreement was also reached on the European strategic research and development programme in information technology (ESPRIT) 1985 work programme.

Steel

6.12 On 23 October the Foreign Affairs Council agreed to make a special transfer of 62.5 million ecu (approximately £38 million) from the European Community's general budget to the European Coal and Steel Community (ECSC) in order to help finance social measures in areas of the Community affected by the restructuring of the steel industry. The money will fund part of the costs of early retirement, short time working, re-employment and severance payments. On 22 November and 17 December, the Industry Council discussed possible amendments of interim deadlines within the steel aids code, but confirmed member states' commitment to meeting the final 31 December 1985 deadline for phasing out all state subsidies to their steel industries.

Shipbuilding

6.13 On 22 November 1984 the Industry Council agreed that the Fifth Directive (81/363/EEC) on aid to shipbuilding, which was due to expire on 31 December 1984, should be extended without amendment for two more years until 31 December 1986. Underlying the decision to extend the

Directive was the expectation that there will be no recovery in the world shipbuilding market before the end of 1986. The Community industry therefore needs the intervening period to make further progress on restructuring and to adjust to market conditions so as to improve its efficiency and competitiveness. For these reasons Community control of shipbuilding aids will continue to be needed.

Competition Policy

6.14 The Commission concluded work on three measures exempting certain categories of agreement from the prohibitions on restrictive agreements contained in the Community's competition rules, subject to a range of conditions and safeguards. On 8 August it adopted a regulation providing exemption for certain patent licensing agreements with effect from 1 January 1985; on 12 December it adopted a similar form of regulation governing selective dealership agreements for motor vehicles. The conditions and safeguards attached to this exemption were designed to ensure in particular that the internal market for motor vehicles was not partitioned in such a way as to restrict consumers' freedom of choice or to sustain significant price differences between member states. The regulation will come into force on 1 July 1985; a regulation providing exemption for certain agreements relating to co-operation in the field of research and development was adopted on 19 December.

Company and Securities Law

6.15 Negotiations continued on the draft fifth directive on the structure of public limited companies, on the proposed regulation to establish the European Economic Interest Grouping, on the draft European Bankruptcy Convention, on the draft directive on collective investment funds (unit trusts) and on the directive on the accounts of banks and other financial institutions. The United Kingdom has continued to press for further progress in the creation of a true common market in financial and other services in accordance with the principles and economic requirements of the Community.

Insurance

6.16 Further work was done on the proposed non-life insurance services directive. The Finance Council discussed the proposal in December. There was some progress on detailed points, but disagreement remains on a considerable number of important issues. The Council also adopted a directive to bring most tourist assistance organisations within the scope of insurance supervisory arrangements.

Patents and Trade Marks

6.17 The draft protocol to the Community Patent Convention on the settlement of litigation concerning the infringement and validity of

Community patents has been referred to industry and other non-governmental interests for their comments. In connection with the proposed regulation to establish a Community trade mark system and the proposed Council directive to approximate the trade mark law of member states, the Council Working Group on Intellectual Property (Trade Marks) met five times to continue its discussions on the technical content of the proposals.

SECTION VII: ENVIRONMENT AND TRANSPORT

Environmental Issues

7.1 The Environment Council met on 6 December. Agreement was reached on a directive providing for the introduction of unleaded petrol throughout the Community not later than 1989, or optionally earlier if individual member states wish. The directive also provides for associated matters such as octane levels of unleaded petrol and the lead content of leaded petrol. It was agreed that a high-level working group of officials would report by the end of January on alternative solutions to secure reductions in polluting emissions from petrol-engined vehicles. This work would take account of the various technologies available, including the lean-burn engine. A directive on air quality standards for nitrogen dioxide was also agreed (subject to a United Kingdom Parliamentary reserve). The Council was, however, unable to agree on a proposed directive dealing with emissions from large combustion plants. Other proposals discussed, without reaching agreement, were directives on the control of wastes from the manufacture of titanium dioxide, on the recycling of beverage containers and on environmental assessment. The Council expressed its sense of shock at the environmental disaster in Bhopal and conveyed its deepest sympathy to the Government of India and the people affected; Ministers stressed the urgent need to seek solutions to the problems posed by dangerous chemicals. The Council reached agreement on a decision to establish an experimental environmental data system in the Community. Finally, the Council accepted a proposal from the United Kingdom that the Commission should be invited to consider, and report on, ways of ensuring that environmental concerns are taken into account in the Community's agricultural policies.

Transport issues

7.2 The Transport Council met on 8 November and 11-12 December. The 8 November Council, called to prepare the ground for the two-day Council in December, concentrated on the proposed vehicle weights and dimensions directive. It also considered briefly shipping competition, drivers' hours, the draft hired vehicles directive and transport infrastructure support.

7.3 Agreement on the weights and dimensions directive was finally reached at the December Council. This directive introduces a harmonised maximum weight limit for lorries throughout the European Community at

40 tonnes. A derogation to this Directive was agreed for the United Kingdom and Ireland, which allows maximum lorry weights in this country to remain at 38 tonnes. The precise terms of this derogation, which can only be lifted by unanimous agreement in the Council of Ministers, must under the terms of the Directive be agreed by February 1987.

7.4 A number of other measures, agreed in principle at the Transport Council in May, were also formally adopted. These were the allocation of transport infrastructure funds from the 1983 and 1984 EC budgets, increases in the Community quotas for the carriage of goods by road, a resolution on road safety and a recommendation strengthening co-operation between member states' national railways companies. The Council also agreed the hired vehicles directive, gave further consideration to the other matters discussed at the November Council, and received reports on the work of the high level groups on inland transport and air transport.

SECTION VIII: SOCIAL AFFAIRS

Employment

8.1 Employment Ministers met informally on 20-21 September and discussed a Commission communication on action to combat long-term unemployment, the recommendation on the promotion of positive action for women and a medium-term programme for social action. The Standing Employment Committee, a four-sided group consisting of Employment Ministers, the Commission and representatives of trade unions and employers' organisations, met on 25 October also to discuss the Commission communication on long-term unemployment. The Labour and Social Affairs Council on 13 December (see also paragraph 8.4) agreed the resolution on action to combat long-term unemployment which was adopted at a later council (19 December) and adopted a recommendation on positive action for women, a regulation on the organisation of a labour force sample survey and a decision on a third joint programme to encourage the exchange of young workers within the Community. The draft directives on noise at work and the draft "Vredeling" directive on informing and consulting employees were also discussed, together with the proposed statistical mechanism for the European Social Fund (see paragraph 8.3) and the education of migrant workers' children.

The European Social Fund

8.2 A total of £352.8 million from the European Social Fund was allocated to the United Kingdom in 1984, 32 per cent of all allocations. Of this, £236 million was allocated to the Manpower Services Commission, including £138 million for the Youth Training Scheme and £46 million for the Community Programme. Employment and training schemes run by

local authorities were allocated £31 million, and voluntary organisations were allocated £8 million. £51 million was allocated to schemes in Northern Ireland.

8.3 The Commission has proposed a statistical mechanism to define regional priorities for aid from the Fund. The mechanism, which would depend on unemployment rates and gross domestic product per head, is intended to concentrate assistance on areas of greatest need. The proposal was discussed by the Council in December (see paragraph 8.1). Discussions are likely to continue in 1985.

The Anti-Poverty Programme

8.4 On 13 December the Labour and Social Affairs Council made a Decision on Commission proposals for a second European Commission programme to combat poverty. The programme will consist mainly of a number of evaluated action-research projects on common poverty problems to be carried out with Community assistance in several member states. It will run for four years, with a review after the first three years, and involves Community expenditure of 25 million ecu.

Health

8.5 Health Ministers met informally on 29 November to discuss cost containment in health services; the Commission Communication on co-operation at Community level on health-related problems; Commission proposals for Community measures concerning action in the field of toxicology; identification of health risks for the purpose of providing urgent medical treatment; and the protection of renal dialysis patients from aluminium toxicity.

Consumer Affairs

8.6 Ministers formally adopted the Misleading Advertising Directive (84/450) at the Council on 10 September. Member states are required to implement this Directive by 1 October 1986. The Internal Market Council, which met on 9 October and 18 December, considered two consumer affairs items—the draft directives on product liability, and doorstep selling. At its 18 December meeting the Council adopted a directive on the approximation of the laws of member states relating to the making up to volume of certain pre-packaged liquids.

Tourism

8.7 Following the adoption by the Foreign Affairs Council of a resolution on tourism on 10 April, the Commission has prepared a draft programme for action on tourism. The draft programme includes three broad objectives: creating the framework for a Community tourism policy; making it easier for Community citizens to go on holiday; and ensuring proper information and protection for tourists. The Commission is to discuss the proposals in detail with member states. A first meeting of experts, under the aegis of the Commission, was held on 14 December for preliminary comments.

Broadcasting

8.8 Discussions have now begun on a proposal to establish a common market in broadcasting by means of a limited harmonisation of domestic laws in broadcasting, broadcast advertising and copyright.

Education

8.9 The EC Education Committee has carried forward work on implementing the conclusions in a number of areas agreed by Ministers in June 1984. A conference was held in Galway, Ireland, with participants from industry and higher education to prepare recommendations on university/industry collaboration. The Irish Presidency also held a conference on equality of opportunity in education for girls.

SECTION IX : ENERGY

Coal Social Measures

9.1 The Council Decision relating to a contribution to the ECSC from the general budget of the Community, for coal social measures was formally agreed on 23 July. The United Kingdom will be a major beneficiary of the 60 million ecu (£35 million) transfer.

Energy Council

9.2 The Energy Council met on 13 November. The Council formally adopted a decision granting support for the 1984 round of the scheme for Community projects in the hydrocarbon sector. While agreeing this year's allocation, Ministers discussed the need to update the scheme, and the Commission have subsequently produced a proposal for a revised regulation reflecting the Council's views. The Council welcomed the Commission's review of member states' energy policies and the progress made towards the Community's long-term energy objectives. The Council looked forward to seeing the outcome of the Commission's work to produce further guidelines to take the Community into the 1990s.

9.3 A Resolution was agreed inviting member states to continue their energy saving efforts, taking account of guidelines for the improvement of national programmes, and noting the Commission's plans for action on the rational use of energy. The importance of adherence to sound energy pricing principles within the Community was stressed and Ministers instructed that further work be carried out following the Commission's review of pricing policies and practices.

9.4 The Council also discussed energy aspects of proposals to combat atmospheric pollution; the need to ensure that the measures adopted take full account of advances in scientific and technical knowledge and are cost effective was emphasised. The amended proposals for financial support for

industries producing solid fuels were also considered. Despite ratification of the importance of solid fuels to the Community, the Council once again failed to reach agreement on measures to support investment in their economic production. The Council instructed the Permanent Representatives Committee to examine in detail the Commission's communication on natural gas in preparation for the next Energy Council.

9.5 In November the Commission made eight decisions granting assistance of some 95 million ecu (£56 million) to demonstration projects in the energy sector.

Receipts from the Community

9.6 The United Kingdom received from the ECSC £2.1 million in grants for coal, research and development and £3.6 million for readaption aid for miners. The European Regional Development Fund paid grants totalling £3.7 million for electricity and gas projects in the United Kingdom. The United Kingdom Atomic Energy Authority (UKAEA) expects to receive sums in the full year in the order of £15-20 million in respect of the Joint European Torus (JET) and the Authority's own fusion research programme, and £1-2 million for its radioactive management and safety related R and D programmes. The budget refund arrangements for 1983 mean £151 million have been allocated to projects in the energy sector. Payments continued to United Kingdom researchers towards research, development and demonstration work on alternative energy sources projects in the hydrocarbon sector being undertaken under contract to the Commission.

SECTION X: EXTERNAL RELATIONS, TRADE AND AID

International Trade

10.1 The Community agreed on 8 November to bring forward to 1 January 1985 the tariff cuts previously due to take place in 1986 (according to its schedule agreed in the Tokyo Round) on 350 products of interest to developing countries. The Community undertook to accelerate implementation of the remaining cuts due in 1986 as soon as its major trading partners, notably the United States, took similar action. The Community played a constructive rôle both in preparations for and during the 40th meeting of the General Agreement on Tariffs and Trade (GATT) Contracting Parties on 26-30 November. The Contracting Parties agreed to co-ordinate more actively in GATT the exchange of information on trade in services; to establish an expert group to study the problem of trade in counterfeit goods; and to continue work on the question of aligning GATT rules for trade in agriculture more closely on rules for industrial goods. The Community

proposed a further meeting in the course of 1985 to assess the extent to which there was a consensus on the need for a new round of multilateral trade negotiations.

10.2 The Foreign Affairs Council on 17 September adopted the Common Commercial Policy Regulation. This will enable the Community, subject to its international obligations, to respond more quickly to the illicit trading practices of other countries.

European Free Trade Association (EFTA)

10.3 The Commission met senior EFTA officials in September to discuss the implementation of the Luxembourg Ministerial declaration on further EC-EFTA co-operation. A short list of priority work areas was agreed, covering technical barriers to trade (TBTs), simplification of frontier formalities, the single administrative document (SAD) and the simplification of rules of origin. In November, meeting in Geneva, the President of the Commission and the Chairman of the EFTA Council endorsed these priorities, and established expert working groups. The Community also held meetings with Austria, Switzerland, Finland, Iceland, Sweden and Norway on a wide range of trade issues under the terms of its free trade agreement with these countries.

EC-Mediterranean countries

10.4 Negotiations between the Community and Israel on a third additional protocol to the EEC-Israel Co-operation Agreement ended on 26 November 1984. The Community agreed to extensions of Israel's duty reduction obligations and the infant industry protection clause.

EC-Cyprus

10.5 Under the terms of its association agreement the Community held an Association Council with Cyprus on 17 December. The operation of the agreement was reviewed and issues of particular concern in the field of economic and commercial co-operation were discussed.

EC-Yemen Arab Republic

10.6 A non-preferential co-operation agreement with the Yemen Arab Republic was signed in Brussels on 9 October.

EC-China

10.7 On 26 September, the Commission initialled the text of a new non-preferential co-operation agreement with China.

EC-Japan

10.8 At high level talks held in Brussels between 29-31 October, the Commission continued to press the Japanese Government to take further steps to encourage the import of manufactured goods and to liberalise its financial markets. In December Commissioner Davignon visited Japan and received further assurances from the Japanese Government of export

moderation in 1985 in a number of sensitive sectors including video tape recorders and colour television tubes. During the course of the visit the Commission also exchanged letters with the Japanese Ministry of Foreign Affairs regarding a possible scientific and technological co-operation agreement.

EC-United States of America

10.9 The Community made representations to the United States Government about protectionist proposals incorporated in several items of American draft trade legislation. A number of the more contentious proposals failed to find a place in the United States Trade and Tariff Act which was signed into law in October. The Community joined other countries in submitting representations about new United States regulations governing textile imports. Attempts by the United Kingdom and other member states to encourage the removal of the unitary system of taxation in certain states continued. Welcome developments included the decisions of the legislatures of Oregon and Florida to repeal their existing unitary taxation legislation. Talks between the Community and the United States continue on the negotiation of a partial temporary suspension of the bound EC tariff on maize gluten feed and certain other maize by-products.

Textiles

10.10 Faced by Portuguese demands for access levels in 1984 in excess of those set down in the voluntary restraint arrangement (VRA), the Commission reached a compromise agreement with Portugal on 10 October for access in 1984 on the basis of figures acceptable to all member states. Given its own problems with the rapid growth in Portuguese exports to the British market of two categories not covered by the VRA, the United Kingdom accepted only reluctantly. This was in return for Portuguese agreement to restraint levels for the last quarter of 1984 on the two non-restrained categories and an assurance that consultation would be held early in 1985 to agree together on stabilisation levels for 1985 in respect of both categories, and for assurances of firm and effective management by the Portuguese.

10.11 In a regulation published on 14 July, the Commission introduced regional safeguard measures for certain imports from Turkey for which the issuing of licences had already been suspended in May. The United Kingdom was granted quotas on three products and these, as with other safeguard measures taken in May, are until the end of 1984. However, in response to Community fears of continuing disruption to their industry during 1985, the Commission introduced a further measure on 20 December under which quantitative limits would be continued from 1 January to 30 June 1985 on the three most sensitive clothing products for the Community.

Steel

10.12 The Community approved the Commission's negotiating mandate for the renewal of VRAs operating in 1984 and earlier years covering steel imports from 15 countries; certain of the countries of EFTA and CMEA, Japan, Spain, Australia, South Korea, South Africa, Brazil (for pig-iron).

The measures are designed to minimise the disruption of unfairly priced imports by granting exemption from anti-dumping action in return for suppliers' agreement to keep within an agreed margin of Community producers' delivered prices and to respect quantitative ceilings based on traditional patterns of trade by time, volume and geographical coverage. A system of basic import reference prices is applied to those supplier-countries that do not conclude VRAs. The 1985 mandate provides for continuation of the existing arrangements, subject to some relaxation of the restraint levels.

Semiconductors

10.13 Discussions have continued on a United Kingdom proposal for the reduction of the 17 per cent semiconductor tariff, first to 10 or 11 per cent and after a two-year pause to the level then pertaining to computers, currently 5.7 per cent.

Newsprint

10.14 Following the extension of duty free status to newsprint imports from EFTA countries on 1 January 1984 and disagreement with Canada over the future level of the Community's annual GATT-bound duty free quota of 1.5 million tonnes, the Community opened an interim quota of 500 thousand tonnes. This action led Canada to refer the matter to a GATT Disputes Settlement Panel. The Community's interim quota proved inadequate and was supplemented in July and October by 70 thousand and 60 thousand tonnes respectively.

10.15 The GATT Panel report in October was accepted by all parties and adopted on 20 November. The report recommended negotiations with Canada which led to agreement being reached on 18 December on a revised Community GATT-bound quota of 650 thousand tonnes, of which 600 thousand tonnes would be reserved for Canada.

International Sugar Agreement

10.16 A final negotiating conference was held, under the auspices of the United Nations Conference on Trade and Development (UNCTAD) Integrated Programme for Commodities, in Geneva from 12 June to 5 July 1984 to attempt to conclude a successor to the 1977 International Sugar Agreement. Although it proved impossible to reach agreement on a successor with economic provisions (i.e. with measures aimed at stabilising world sugar prices) the conference did conclude a new administrative agreement which will enter into force on 1 January 1985. This will provide a forum for co-operation between sugar exporting and importing countries. The Community signed the new International Sugar Agreement in December 1984.

International Tropical Timber Agreement

10.17 The United Kingdom ratified the International Tropical Timber Agreement on 18 September 1984, and by 1 October 1984, the first scheduled date for its entry into force, most other member states had either ratified or notified provisional application; the Community will ratify the Agreement

as soon as procedures have been concluded by all member states. But the overall levels of participation, set down in the text of the Agreement which must be met before it may enter into force either definitively or provisionally, have not yet been secured.

Export Credit

10.18 A Council Decision of 24 July agreed the adoption of a sector understanding on officially supported export credits for nuclear power stations, which is complementary to the Organisation for Economic Co-operation and Development (OECD) Arrangement on Guidelines for Officially Supported Export Credits (Consensus). The understanding provides for maximum repayment terms of 15 years and minimum interest rates of 1-1.5 per cent above Consensus matrix rates. By further Council Decision of 23 October member states agreed to the extension of the validity period of the Consensus for a further six months until 15 April 1985. The Joint Insurance Directive was adopted on 27 November. This Directive governs the reciprocal obligations of official export credit insurers in member states in relation to transactions where a contractor in one member state sub-contracts part of an export order to a contractor in another member state, on the understanding that the sub-contractor will be paid only when the main contractor is paid by the end-buyer.

10.19 At the Economic and Finance Council on 10 December the Commission obtained agreement to open talks with other OECD participants on a possible sector agreement for aircraft and separately on improvements in exchanges of information procedures on major prospective export orders, especially those involving mixtures of aid and export credit.

Lomé Convention

10.20 The Fifth Ministerial Negotiating Conference on the successor to the current (second) Lomé Convention was held with the African, Caribbean and Pacific (ACP) states on 9-12 October in Brussels. The negotiations were concluded at a meeting between EC and ACP Co-Presidents on 22 November. The new ACP-EC Convention was signed in Lomé (Togo) on 8 December by the ten member states, the EC Council and Commission, and 64 ACP states (all the ACP members of Lomé II, except Antigua and Barbuda which is to sign later, plus Mozambique).

10.21 The amount of aid available to the ACP under Lomé III will be 7,400 million ecu (£4,405 million). There will also be European Investment Bank lending of up to 1,100 million ecu (£655 million). Additionally, the overseas countries and territories of member states will receive 100 million ecu (£60 million) bringing the total for the Sixth European Development Fund to 7,500 million ecu (£4,465 million). The United Kingdom's share of this will be a maximum of 1,243 million ecu (£740 million).

10.22 The basic trade arrangements under the Convention will remain substantially unchanged. The ACP countries will continue to be allowed duty-free access—subject to a safeguard clause (which has never been invoked)—for all their industrial and the large majority of their agricultural exports to the EC.

Generalised Scheme of Preferences (GSP)

10.23 The Community's Generalised Scheme of Preferences for developing countries was reviewed and some adjustments were made to the 1984 scheme. Regulations for the 1985 scheme were adopted by the Council of Ministers on 17-18 December 1984 and will come into operation on 1 January 1985.

Famine in Africa

10.24 The United Kingdom played a leading rôle in ensuring that the Community responded quickly and generously to the famine in Africa. In November and December the Community announced emergency aid worth 35 million ecu (£21 million) to drought-stricken African countries. Including provisions made under the regular food aid programme, allocations of grain to sub-Saharan Africa in 1984 exceeded 600 thousand tonnes. In addition the European Council meeting in Dublin 3-4 December agreed that the Community and member states should provide 1.2 million tonnes of cereals before the next harvest.

Other Development Issues

10.25 At the Development Council on 6 November, Ministers also agreed on measures to improve the effectiveness of Community and member states' assistance to drought-stricken countries, particularly in the Sahel, and discussed food strategies, the Lomé renegotiations and the 1985 programme of assistance to non-associated developing countries.

SECTION XI: POLITICAL CO-OPERATION

Terrorism and Diplomatic Immunity

11.1 In September Foreign Ministers of the Ten agreed on a set of measures to combat the problem of terrorism and diplomatic immunity. They reaffirmed the principle of making no concessions under duress to those who practised terrorism and declared their readiness to consider common action if one member of the Ten were to suffer a serious terrorist attack involving abuse of diplomatic immunity. Heads of Government endorsed the measures at the European Council in December.

Central America

11.2 A major meeting took place at San Jose in September between the Foreign Ministers of the Ten, Spain, Portugal, Central America and the Contadora group (which brings together Colombia, Venezuela, Panama and Mexico in work to solve Central American problems). This meeting inaugurated a new structure of political and economic dialogue between Europe and Central America as well as underlining the firm support of the

Ten for the search by the Central American countries for a peaceful solution to the problems of the region, in line with the objectives and principles of the Contadora group. This aim was endorsed by all the participants in the joint Communiqué issued after the meeting. The Ten are now discussing, both among themselves and with the other participants at San Jose, what follow-up is required.

11.3 The European Council in Dublin reaffirmed the conviction of the Ten that the problems of the region cannot be solved by armed force but only by a political solution springing from the region itself and respecting the principles of non-interference and inviolability of frontiers. The Council made clear their continuing belief that the Contadora process is the best opportunity to achieve a political solution and urged all those concerned to work to this end. They reaffirmed their willingness to support within their capabilities efforts to implement any agreement.

Chile

11.4 The Ten have remained in close contact on the political situation in Chile. They have deplored the increase in violence and denounced the abandonment of the political dialogue. They have made clear their conviction that it is necessary to establish full democratic liberties in Chile at the earliest possible moment.

East-West Relations

11.5 The Ten continued to consult closely on East-West relations. The European Council in Dublin reaffirmed the will of the Ten to seek a constructive, comprehensive and realistic dialogue with the Soviet Union and the countries of Eastern and Central Europe and, wherever possible, to develop further existing co-operation with them. The Council emphasised the importance of achieving effective arms control and disarmament agreements. They therefore welcomed the forthcoming meeting between the US Secretary of State and the Soviet Foreign Minister and expressed the hope that this would be followed by early substantive negotiations to bring about balanced reductions of nuclear weapons to the lowest possible level and avert effectively the danger of an arms race in space.

Poland

11.6 The Ten have welcomed the release of Polish political prisoners and made clear their hope that there will be further measures which could help to promote national reconciliation in Poland.

Conference on Disarmament in Europe

11.7 The Ten continued to co-operate closely at the Stockholm Conference. They welcomed the agreement on a working structure for the Conference and expressed the hope that this would permit substantive negotiations on concrete measures designed to lead to a real increase in confidence and security in Europe. They reaffirmed their determination to do everything possible to ensure progress in the negotiations.

Conference on Security and Co-operation in Europe

11.8 The Ten co-operated closely at the seminar on Mediterranean Co-operation which took place in Venice. They have also made clear their willingness, if circumstances are appropriate, to be represented at a high level at the tenth anniversary of the signature of the Helsinki Final Act. The European Council emphasised the importance which the Ten attach to the full implementation of the final act, including the provisions relating to human rights and fundamental freedoms.

Arab—Israel and Lebanon

11.9 The Ten have maintained close interest in moves to solve the Arab—Israel problem. The European Council emphasised the need for direct negotiations among the parties themselves—which must mutually recognise each other's existence and rights. The Council called for the implementation of relevant Security Council resolutions and an end to the Policy of Settlement in the Occupied Territories. They reaffirmed the Ten's offer to assist in any way open to them in attempts to identify common ground between the parties. The Council also recalled the Ten's support of the full sovereignty, independence and territorial integrity of Lebanon and reaffirmed their willingness to assist that country's return to peace and normality.

Iran—Iraq

11.10 The Ten reiterated their concern about the continuing conflict between Iran and Iraq. They made clear their intention to continue to work for an early, just and honourable settlement and their support for any efforts to limit the scope of the conflict.

South Africa

11.11 The Ten have continued to consult closely on developments in South Africa. The Foreign Affairs Council on 3 September underlined the need, if further conflict and violence are to be avoided, for early progress towards an end to the policy of apartheid and the introduction of constitutional arrangements which would include all South Africans fully and equally in the political process. They called on the South African authorities immediately to release those detained without charge.

11.12 The Ten continue to monitor implementation of the Code of Conduct for European Community Companies with subsidiaries in South Africa. The Ten's latest report on this was transmitted to the European Parliament in November.

Association of South East Asian Nations (ASEAN)

11.13 In November the fifth meeting of the Foreign Ministers of the Ten with those of ASEAN took place in Dublin. There was a comprehensive exchange of views which led to a wide degree of consensus on current international and regional problems. The two sides agreed to maintain their co-operation and close consultation on all matters of mutual interest.

Hong Kong

11.14 The Ten welcomed the agreement on the future of Hong Kong and expressed the view that this augurs well for the future of Hong Kong as a prosperous and stable community. They made clear their intention of maintaining a close and fruitful relationship both with China and with the future Hong Kong Special Administrative Region on the basis of its continuing participation in international economic arrangements.

Non-Proliferation

11.15 At the Ministerial meeting of the Ten in November the Ten agreed on a common policy on the consequences of the adoption of the "London Guidelines" for trade in nuclear materials, equipment and technology.

United Nations Educational, Scientific and Cultural Organisation (UNESCO)

11.16 Throughout the period the Ten have remained in close contact on the most effective means to achieve the reform of UNESCO.

SECTION XII : THE EUROPEAN PARLIAMENT

12.1 The European Parliament was particularly concerned with the Community's supplementary budget for 1984, main budget for 1985 and budgetary discipline. These questions are dealt with in Section IV. The Parliament's debates also gave prominence to such questions as the Community's relationships with third countries, certain international political problems and to the famine in Ethiopia and other countries.

12.2 At the Parliament's first sitting after the June direct elections, M. Pierre Pflimlin was elected President of the Parliament. The Political Affairs Committee appointed a new sub-committee to deal with defence and security questions.

12.3 Mr Rifkind, Minister of State at the Foreign and Commonwealth Office, and Mr Stewart, Economic Secretary to the Treasury, each made a visit to the Parliament in October.

SECTION XIII : EUROPEAN COURT OF JUSTICE

Membership

13.1 Mr Thomas Francis O'Higgins, the present Chief Justice of Ireland, was appointed judge to the European Court of Justice (ECJ) until 6 October 1985, following the resignation of Mr Andreas O'Keefe.

Cases

13.2 References from United Kingdom courts or tribunals reached the ECJ in five cases. Cases 151/84 (*Roberts v Tate and Lyle Limited*) and 152/84 (*Marshall v South West Hampshire Area Health Authority*) were concerned with the compatibility with the Equal Treatment Directive (76/207/EEC) of certain aspects of pension and retirement schemes; case 174/84 (*Bulk Oil v Sun Oil*) concerned the compatibility with the EEC Treaty of the United Kingdom's policy towards exports of oil to Israel; case 181/84 (*ED and F Man (Sugar) Limited v Intervention Board for Agricultural Produce*) concerned the validity of the forfeiture provisions under the tendering arrangements for export refunds for sugar; and case 222/84 (*Johnson v Chief Constable of the Royal Ulster Constabulary*) concerned a claim that the Chief Constable's policy on the appointment of female full-time members of the Royal Ulster Constabulary Reserve was contrary to the Equal Treatment Directive. The United Kingdom submitted written observations in each of these cases and in thirteen others. The Commission brought two actions against the United Kingdom (case 193/84 involving a claim by the Commission that the United Kingdom requirements with regard to the denaturing and marking of alcohol in perfumed spirits discriminates against products imported from other member states contrary to Article 95 EEC, and case 301/84, on loans to local authority employees for the purchase of cars). The United Kingdom intervened in two other cases brought by the Commission against member states (cases 205/84 and 206/84, on national rules governing coinsurance), and in two cases brought against the Commission.

13.3 The Court gave judgments of particular significance or interest for the United Kingdom on the following cases. Case 72/83 *Campus Oil* was a reference from the Irish High Court which arose out of the Irish requirement that importers should purchase a certain proportion of their petroleum products from an Irish refinery which was operated by a state owned company. The Court held that such a requirement was contrary to Article 30 of the Treaty as a measure having equivalent effect to a quantitative restriction on imports but could be justified under Article 36 on grounds of public security. In so holding, the Court, substantially adopting the arguments put at the hearing on behalf of the United Kingdom, stressed the exceptional importance of petroleum products as an energy source in the modern economy and their fundamental importance for a country's existence, "since not only its economy but above all its institutions, its essential public services and even the survival of its inhabitants depend upon them".

13.4 In case 184/83 *Hofmann*, a reference from Germany, the Court held that the Equal Treatment Directive 76/207, which prohibits sex discrimination regarding jobs, did not oblige member states to give parents the option of paternity leave as an alternative to maternity leave during the period following an obligatory protective period of maternity leave. The Court concluded that the purposes of the optional maternity leave were to protect both the mother's physiological and mental state following childbirth and her relationship with the child by avoiding excessive home and work pressures as well as preserving her employment opportunities. These considerations did not apply to the father. The Court agreed with the

United Kingdom that member states retained the right to determine the conditions regarding the grant of such maternity leave which would any way be linked closely on the particular member state's social policy and social protection system.

13.5 Case 63/83 *R v Kent Kirk* was a reference from Newcastle Crown Court arising out of an appeal against conviction by Kent Kirk, the Danish MEP, for fishing within the United Kingdom twelve-mile coastal zone contrary to the Sea Fish (Specified United Kingdom Waters) (Prohibition of Fishing) Order 1982. The defendant challenged the lawfulness of the 1982 Order as being contrary to Community law. It was argued on behalf of the United Kingdom that with the failure of the Council to introduce a common fisheries policy at the end of the transitional period which ended on 31 December 1982, it was entitled in collaboration with the Commission to remedy the Council's failure by restricting access to its coastal waters in the interests of the Community. The Court, contrary to the Advocate General's Opinion, rejected this submission and further held that the United Kingdom measures could not be retrospectively justified by Council Regulation 170/83 adopted on 25 January 1983 which established Community rules on fisheries.

Lord Chancellor's Visit

13.6 The Lord Chancellor visited the ECJ in October, participating in a working meeting with Judges and Advocates-General of the Court as well as attending an oral hearing.

SECTION XIV : PARLIAMENT

14.1 Parliament was in session for 13 weeks. The House of Commons Select Committee on European Legislation considered 299 documents and recommended 42 of these for further consideration by the House. Twelve debates were held on the floor of the House covering a total of 41 documents. No debates were held in Standing Committee during the period.

14.2 The House of Lords Select Committee on the European Communities considered 313 documents and recommended 76 for further scrutiny. Five reports covering nine documents were presented to the House for debate and three reports covering eight documents were presented to the House for information. Seven debates on the Committee's reports covering 23 documents were held in the House of Lords.

ANNEX A

CONCLUSIONS OF THE COUNCIL ON THE MEASURES NECESSARY TO GUARANTEE THE EFFECTIVE IMPLEMENTATION OF THE CONCLUSIONS OF THE EUROPEAN COUNCIL ON BUDGETARY DISCIPLINE

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaties establishing the European Communities,

Whereas at its meetings on 19 and 20 March and 25 and 26 June 1984 the European Council reached agreement on a series of decisions and guidelines to ensure the relaunch of the Community and establish a solid basis for further development during the present decade;

Whereas principles on budgetary and financial discipline are specifically laid down;

Whereas the European Council considered it essential that the rigorous rules which at present govern budgetary policy in each member state shall also apply to the budget of the Communities, and stated that the level of expenditure will be fixed on the basis of available revenue, and that budgetary discipline will apply to all budgetary expenditure;

Whereas the European Council invited the Council of Ministers to adopt the measures necessary to guarantee the effective application of the principles as set out in its conclusions,

HAS ADOPTED THE FOLLOWING CONCLUSIONS:

Article 1

1. At the beginning of the budgetary procedure each year, the Council shall fix a reference framework, i.e. the maximum level of expenditure which it considers it must adopt to finance Community policies during the following financial year in accordance with Articles 2 to 5 inclusive and Article 9.

2. In order to fix the reference framework, the Council shall act by qualified majority in accordance with Article 148(2), second indent of the EEC Treaty.

3. The relevant provisions of the financial guidelines concerning the Common Agricultural Policy, set out in the Annex to the Commission communication of 6 March 1984, shall be implemented; these provisions are annexed to these Conclusions.

Article 2

The Council shall ensure that the net expenditure relating to agricultural markets calculated in accordance with Article 4, will increase by less than the rate of growth of the own resources base. This development shall be assessed on comparable bases from one year to the next.

Account shall be taken of exceptional circumstances, in particular in connection with enlargement.

Article 3

The amounts to be taken into account for the application of Article 2 shall be—

(a) as regards expenditure—

that chargeable to Section III, Part B, Titles 1 and 2 (EAGGF Guarantee) of the Budget. The calculation of agricultural expenditure for the purposes of the guideline referred to in Article 2 shall be this expenditure, reduced by the sum of amounts corresponding to the marketing of ACP sugar, refunds in connection with food aid and the payments by producers in respect of the sugar and isoglucose levies as well as the revenue from any future internal agricultural charges;

(b) as regards the own-resources base—

the potential revenue on the basis of which Titles 1 and 2 of the Revenue side of the Budget are determined. The calculation of the Community's own resources base for the purposes of the guideline referred to in Article 2 shall be the total VAT base upon which the VAT rate of the year in question is calculated, the amount of financial contributions (if any) included in the Budget of the year, together with the own resources, other than those derived from VAT, set out in Revenue Title 1, less the sugar and isoglucose levies as well as the revenue from any future internal agricultural charges.

When the potential revenue from VAT is changed following an alteration in the VAT ceiling, the guideline provided for in Article 2 shall thereafter be calculated as if the new maximum VAT rate had been applied in all the years relevant to the calculation of the guideline.

Article 4

The level of net expenditure relating to agricultural markets for a given financial year shall be calculated as follows—

- (a) the level of expenditure, as defined in Article 3(a), shall be the average of the actual outturn expenditure for 1984, and the best estimate of the outturn for 1985;
- (b) the own resources factor shall be established by dividing the forecast level of the own resources base for the financial year in question, as defined in Article 3(b), by the average own resources base for 1984 and 1985;
- (c) the level of expenditure for the financial year in question shall be determined by multiplying the amounts obtained by the application of paragraphs (a) and (b), unless the Council acting by the majority defined in Article 1(2) decides otherwise;
- (d) the method of calculation shall be re-examined in accordance with the Fontainebleau conclusions under the heading "budgetary imbalances" on the basis of the report to be presented by the Commission one year before the 1.4 per cent VAT ceiling is reached.

Article 5

In the event of failure to respect the qualitative guideline referred to in Article 2, the Council shall, during the following two financial years, ensure that, barring aberrant developments, agricultural expenditure is brought back within the limits imposed by this guideline. In so doing, the Council shall concentrate its activity primarily on the production sectors responsible for the failure to adhere to the guideline.

Article 6

1. The Council shall, when exercising its powers as legislative authority or branch of the budgetary authority, ensure that the reference framework is respected.

2. At the request of a member of the Council or the Commission, the Council, acting by the majority referred to in Article 1(2), may amend the reference framework.

Article 7

1. Except in the case of decisions mentioned in paragraph 4, when the Council is on the point of adopting an act which appears likely to increase expenditure for a financial year beyond the reference framework applicable to that year, the adoption of that act shall, at the request of a member of the Council or the Commission, be suspended.

2. Within a period not exceeding one month, the Council, acting by the majority referred to in Article 1(2), shall determine whether the proposed act would, if adopted, lead to the reference framework being exceeded.

3. If the Council concludes that the proposed act would, if adopted, lead to the reference framework being exceeded, it shall reconsider the proposed act with a view to taking appropriate measures.

4. In the case of decisions affecting net expenditure relating to agricultural markets, the procedures laid down in paragraphs 5(c) and 6(b) of the Annex to the Commission's communication of 6 March 1984 shall apply.

Article 8

When the Council is on the point of adopting an act which has considerable financial implications for several years, the Council shall, before taking the final decision, formulate an opinion on whether the financial implications of the proposed act are compatible with the principles and guidelines governing the Community's budgetary policy.

Article 9

1. The Council shall comply with the maximum rate provided for in Article 203(9) of the EEC Treaty throughout the budgetary procedure.

2. In order to achieve this:

—when establishing the Draft Budget, the Council shall keep the increase in expenditure other than that necessarily resulting from the Treaties

or from acts adopted in accordance therewith to a level no higher than half the maximum rate provided for in Article 203(9);

—at the second reading, the Council shall adopt a position such that the maximum rate is not exceeded.

3. Paragraphs 1 and 2 of this Article are without prejudice to the provisions of Article 203 of the EEC Treaty, particularly those of the last sub-paragraph of paragraph 9.

Article 10

On the assumption that the 1986 budget will be prepared on the basis of own resources being increased in that year, these conclusions shall first apply to the exercise of the Council's powers in 1985 concerning expenditure in the financial year 1986.

ANNEX A I

EXTRACT FROM THE COMMISSION COMMUNICATION OF 6 MARCH 1984 REFERRED TO IN ARTICLE 1 PARAGRAPH 3

" 5. As regards the decisions which have a determinant effect on the volume of agricultural expenditure, that is the decision on agricultural prices which the Council of Agriculture Ministers must take each year on a proposal from the Commission, the Commission proposes the following rules—

- (a) When submitting its agricultural proposals the Commission will supply a quantified estimate of their budget impact in relation to the movement in the growth of the Community's own resource base calculated according to a common and constant formula, namely the sliding average of the growth rates for the current year, the year immediately preceding and the year ahead. These figures will allow a judgement to be made of the compatibility of the proposals with the guideline referred to in paragraph 2.
- (b) The Commission will draw up its proposals on prices (and related measures) in the light of the guideline referred to in paragraph 2. To this end the Commission confirms that it intends in the coming years to pursue a restrictive price policy for sectors in surplus and for those where a rapid growth in expenditure is coupled with limited outlets for disposal.
- (c) On this basis the Commission suggests that the European Council request the Council to adopt the following rule: if in the Commission's opinion the Council of Agriculture Ministers seems likely to take decisions whose cost would exceed that of the original proposals of the Commission, the final decision must be referred to a special Council session attended by both Finance and Agriculture Ministers and can be taken only by that special session.

6. As regards the preparation and implementation of the budget the Commission proposes the following rules—

- (a) In submitting its budget proposals in the context of its preliminary draft budget the Commission will take account of all foreseeable expenditure in the budget year concerned, including that stemming from its price proposals.

The aim of the Commission and the Council will thus be to keep EAGGF Guarantee expenditure within the appropriations for the year.

- (b) The Commission will institute an early-warning procedure enabling it to detect promptly any risk during the year of budgetary over-runs and report to the Council and Parliament forthwith.*

* Apart from a Council decision on prices in excess of the Commission's proposals (when the special decision-making procedure in paragraph 5(c) would apply), such "over-runs" could only occur as a result of compelling economic developments which could not have been foreseen when the budget was adopted.

It will in any event report to the Council and Parliament each month on the trend of agricultural expenditure.

After making use of all the opportunities afforded by the routine management of the CAP it will if need be propose to the Council and Parliament measures designed, without detriment to the principles of the CAP, to restrict increases in agricultural expenditure. It will be incumbent on those institutions to take the necessary decisions as speedily as possible so that these measures can achieve their purpose. Where appropriate the Council's decisions could be taken at a special session of the kind referred to in paragraph 5(c).

The Commission will not introduce a supplementary budget until it has exhausted all the opportunities for savings afforded by the routine management of the CAP and by any additional Council decisions.

- (c) In the event of failure to respect the qualitative guideline referred to in paragraph 2 (by reason either of a special Council decision (paragraph 5(c)) or of a supplementary budget), adherence thereto will mean both the Council and the Commission must during the following two financial years ensure that, barring aberrant developments, agricultural expenditure is brought back within the limits imposed by the qualitative guideline. In so doing they must concentrate primarily on the production sectors responsible for the failure to adhere to the guideline."

ANNEX A II

Council conclusions on co-operation with the Commission and the European Parliament on budgetary discipline

The Council on 28 November and 4 December had a thorough discussion in the light of the meeting on 21 November on how to ensure the necessary co-operation between the European Parliament, the Commission and the Council in the matter of budgetary discipline.

The Council adopted the following conclusions—

- firstly to invite the Commission and the European Parliament to examine with it ways in which the co-operation necessary for a budgetary discipline common to all three Institutions may be brought about;
- secondly to invite a delegation of the Parliament to meet it shortly before the meetings at which the Council is due to fix the reference framework for the year.

The Council authorised its President to transmit to the European Parliament the outcome of its deliberations on budgetary discipline, namely its conclusions on—

- the measures necessary to guarantee the effective implementation of the conclusions of the European Council on budgetary discipline.
- co-operation with the Commission and the European Parliament on budgetary discipline.

ANNEX B

**UNDERTAKING
MADE BY THE REPRESENTATIVES OF THE GOVERNMENTS
OF THE MEMBER STATES OF THE EUROPEAN COMMUNITY
MEETING WITHIN THE COUNCIL ON 2 AND 3 OCTOBER 1984
IN LUXEMBOURG TO MAKE PAYMENTS TO THE COMMUNITY
IN 1984 TO FINANCE THE SUPPLEMENTARY AND AMENDING
BUDGET No. 1**

DRAFT SUPPLEMENTARY AND AMENDING BUDGET No. 1/84

TEXT OF THE UNDERTAKING MADE BY THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES, MEETING WITHIN THE COUNCIL AT THE MEETING ON 2 AND 3 OCTOBER 1984 IN LUXEMBOURG

1. The Representatives of all the Governments of the member states, meeting within the Council, undertake to pay to the Community in 1984 to finance draft supplementary and amending Budget No. 1 the following amounts in the form of reimbursable advances.

	%	<i>Million Ecus</i>
Belgium	3.45	34,617,942
Federal Republic of Germany	28.76	288,583,195
Denmark	1.99	19,958,030
Greece	1.53	15,352,305
France	22.79	228,679,103
Ireland	0.86	8,629,400
Italy	15.33	153,824,074
Luxembourg	0.25	2,508,547
Netherlands	4.99	50,070,589
United Kingdom... ..	20.05	201,185,433
TOTAL	100	1,003,418,618

2. The Representatives of the Governments of the member states, while recognising the need for payment of these amounts as soon as possible after the final adoption of the Supplementary and Amending Budget No. 1 note that in certain member states the payment of these amounts in implementation of the undertaking requires the completion of certain internal procedures.

They take note that the British Government will be in a position to complete its national procedures only when the United Kingdom has received its refunds for 1983 and the Council has reached agreement on the measures necessary to guarantee the principles of budget discipline approved by the European Council.

The Representatives of the Governments of the member states undertake that their governments will do everything in their power to complete their national procedures with all possible urgency.*

3. The Representatives of the Governments of the members states take the view that the Council will adopt a regulation under Article 235 as the basis for the reimbursement of the above amounts to the member states.

* Denmark, Federal Republic of Germany, Italy and United Kingdom state that " internal procedures " involve parliamentary approval.

ANNEX C

MEETINGS OF THE EUROPEAN COUNCIL

<i>Date</i>	<i>Location</i>	<i>UK Ministers attending</i>
3-4 December	Dublin	Rt Hon Mrs Margaret Thatcher MP Prime Minister Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs

MEETINGS OF THE COUNCIL OF MINISTERS

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
9 July	... Economic and Finance	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
16-17 July	... Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food
18-20 July	... Budget	Ian Stewart Esq RD MP Economic Secretary to the Treasury
23-24 July	... Foreign Affairs Council	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon Paul Channon MP Minister for Trade
3 September	... Foreign Affairs Council	Malcolm Rifkind Esq MP Minister of State for Foreign Affairs
6-7 September	... Budget	Ian Stewart Esq RD MP Economic Secretary to the Treasury
10 September	... Fisheries	John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office
17-18 September	... Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
17-18 September	Foreign Affairs	... Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon Timothy Raison MP Minister of State for Overseas Development Rt Hon Paul Channon MP Minister for Trade
1 October	Agriculture	... Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food
1 October	Economic and Finance	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
2-3 October	Foreign Affairs Council	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon Timothy Raison MP Minister of State for Overseas Development Malcolm Rifkind Esq MP Minister of State for Foreign and Commonwealth Affairs
9 October	Internal Market	... Rt Hon Paul Channon MP Minister for Trade
22-23 October	Agriculture	... Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food
22-23 October	Foreign Affairs Council	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon Paul Channon MP Minister for Trade Rt Hon Timothy Raison MP Minister of State for Overseas Development
24 October	Budget	... Ian Stewart Esq RD MP Economic Secretary to the Treasury

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
6 November	Research	Geoffrey Pattie Esq MP Minister of State for Industry and Information Technology
6 November	Development	Rt Hon Timothy Raison MP Minister for Overseas Development
8 November	Transport	Mrs Lynda Chalker MP Minister of State for Transport
12 November	Economic and Finance	Ian Stewart Esq RD MP Economic Secretary to the Treasury
12-13 November	Foreign Affairs Council	Malcolm Rifkind Esq MP Minister of State for Foreign Affairs Rt Hon Timothy Raison MP Minister of State for Overseas Development
12-13 November	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food
13 November	Energy	Rt Hon Alick Buchanan-Smith MP Minister of State for Energy
17 November	Industry	Norman Lamont Esq MP Minister of State for Industry
20 November	Foreign Affairs Council	Malcolm Rifkind Esq MP Minister of State for Foreign Affairs Rt Hon Timothy Raison MP Minister of State for Overseas Development
22 November	Industry	Norman Lamont Esq MP Minister of State for Industry
26-28 November	Foreign Affairs Council	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Malcolm Rifkind Esq MP Minister of State for Foreign and Commonwealth Affairs
29 November	Budget	Ian Stewart Esq RD MP Economic Secretary to the Treasury

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
4 December	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office
6 December	Environment	Hon William Waldegrave MP Parliamentary Under-Secretary of State, Department of the Environ- ment John Butcher Esq MP Parliamentary Under-Secretary of State, Department of Trade and Industry
10 December	Economic and Finance	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
10-11 December	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food
11-12 December	Transport	Rt Hon Nicholas Ridley MP Secretary of State for Transport David Mitchell Esq MP Parliamentary Under-Secretary of State for Transport
13 December	Labour and Social Affairs	Rt Hon Tom King MP Secretary of State for Employment John Patten Esq MP Parliamentary Under-Secretary of State for Health
17 December	Steel	Norman Lamont Esq MP Minister of State for Industry
17-18 December	Foreign Affairs Council	Malcolm Rifkind Esq MP Minister of State for Foreign Affairs Rt Hon Paul Channon MP Minister for Trade
18 December	Internal Market ...	Rt Hon Paul Channon MP Minister for Trade

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
19 December	Research	Geoffrey Pattie Esq MP Minister of State for Industry and Information Technology
19 December	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office

OTHER MEETINGS

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
11 September	Political Co-operation, Ministerial	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs
15-16 September	Informal Meeting of Economic and Finance Ministers	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
20-21 September	Informal Meeting of Employment Ministers	Rt Hon Tom King MP Secretary of State for Employment
24-26 September	Informal Meeting of Agriculture Ministers	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food John MacGregor Esq MP Minister of State, Ministry of Agriculture, Fisheries and Food
25 October ...	Standing Employment Committee	Peter Bottomley Esq MP Parliamentary Under-Secretary of State for Employment
20 November	Political Co-operation Ministerial	Malcolm Rifkind Esq MP Minister of State for Foreign Affairs
22 November	Meeting of Culture Ministers	Rt Hon The Earl of Gowrie Chancellor of the Duchy of Lancaster
29 November	Informal Meeting of Health Ministers	Rt Hon Kenneth Clarke QC MP Minister of Health

ANNEX D

MAJOR PROPOSALS ADOPTED DURING THE PERIOD

Economic, Monetary and Budgetary

Council Decision 84/383—implementing Decision 83/200 empowering the Commission to contract loans under the new Community instrument for the purpose of promoting investment within the Community.

Council Decision 85/105—adopting the Annual Report on the economic situation in the Community (1985).

Council Decision 84/655—concerning the extension of the machinery for medium-term financial assistance.

Council Regulation 2626/84—amending Article 1 of Council Regulation 3180/78 changing the value of the unit of account used by the European Monetary Co-operation Fund.

Customs and Indirect Taxation

Council Regulation 2151/84—on the customs territory of the Community.

Council Directive 84/386—on the harmonisation of the laws of the member states relating to turnover taxes amending Directive 77/388 application of VAT to the hiring out of moveable, tangible property.

Agriculture and Fisheries

Council Regulation 2007/84—amending Regulation 3667/83 relating to the continuing of the import of New Zealand butter into the United Kingdom on special terms.

Council Regulation 2128/84—amending Regulation 986/68 laying down general rules for granting aid for skimmed milk and skimmed milk powder for use as feed.

Council Regulation 2261/84—laying down general rules on the granting of aid in the production of olive oil and of aid to olive oil producer organisations.

Council Regulation 2262/84—laying down special measures in respect of olive oil.

Commission Regulation 2541/84—introducing countervailing duties on French agricultural alcohol exported to other member states.

Council Regulation 3220/84—determining a new scale for grading pig carcasses.

Council Regulation 3340/84—amending Council Regulation 2915/79 as regards the implementation of new rules for importing certain cheeses from Australia and New Zealand.

Council Regulation 3658/84—concerning the import system applicable to certain non-member countries in the sheepmeat and goatmeat sector in 1985.

Council Regulation 3688/84—opening a Community import quota for 1985 for 2,250 tonnes of buffalo meat.

Council Directive 84/378—amending the technical annexes to Council Directive 84/93 on plant health in the Community.

Council Directive 84/513—extending the agricultural structures directives.

Council Directive 84/587—amending Council Directive 70/524 concerning additives in feedingstuffs.

Council Directive 84/643—amending Council Directives 64/432 and 72/461 as regards the control of imports of cattle and pigs into Great Britain.

Council Directive 85/73—harmonising the financing of health inspections and controls for red meat and poultry meat.

Council Directive 84/644—amending Directive 64/432 to give recognition to additional diagnostic tests for brucellosis.

Council Decision 84/362—relating to point 2 of the voluntary restraint agreement on mutton, lamb and goatmeat between the European Community and New Zealand.

Council Decision 84/560—concerning the conclusion of an agreement in the form of an exchange of letters between the European Economic Community and Australia on the Arrangement between Australia and the Community concerning cheese.

Council Decision 84/561—concerning the conclusion of an agreement in the form of an exchange of letters between the European Economic Community and the Government of New Zealand amending the Joint Discipline Arrangement between New Zealand and the Community concerning cheese.

Council Decision 84/633—authorising the Commission to convert under the voluntary restraint agreements on trade in the sheepmeat and goatmeat sector live animal quantities into meat quantities or meat quantities into live animal quantities.

Council Decision 84/642—amending Council Directive 71/118 as regards the dates of derogations.

Commission Regulation 2108/84—laying down detailed rules for determining the mesh size of fishing nets.

Council Regulation 2178/84—amending for the third time the technical conservation Regulation No. 171/83.

Council Regulation 2179/84—increasing the TACs for various plaice and herring stocks.

Council Regulation 2305/84—decreasing the TAC for West Greenland salmon.

Council Regulation 2664/84—amending for the fourth time the technical conservation Regulation No. 171/83.

Council Regulation 2665/84—established a temporary measure concerning by-catches in the Norway pout fishery in the North Sea.

Council Regulation 2666/84—increasing the TAC for the Clyde herring stock and decreasing the TAC for the North Sea sprat.

Council Regulation 3175/84—increasing the TACs for Eastern and Western Channel sole.

Council Regulation 3410/84—allocating quotas for member states in Canadian waters.

Council Regulation 3411/84—allocating quotas for member states in NAFO waters.

Council Regulation 3421/84—on sampling of catches for the purpose of determining the by-catch percentage when fishing with small-meshed nets.

Council Regulation 3431/84 and 3432/84—fixing guide prices for certain fishery products.

Council Regulation 3434/84—allowing bottom trawlers to retain unlimited quantities of mackerel in the " box " off south west England.

Council Regulation 3435/84—allocating catch quotas between member states in Swedish waters.

Council Regulation 3436/84—laying down measures applicable to Swedish vessels fishing in Community waters.

Commission Regulation 3440/84—on the attachment of devices to trawls, Danish seines and similar nets.

Council Regulation 3655/84—on the lifting of the tariff suspension on dried and salted cod.

Council Regulation 3656/84—opening, allocating and providing for the administration of Community tariff quotas for fresh and chilled herring.

Council Regulations were also agreed on TACs and quotas for 1985, Norway, Faroes, Spain, French Guyana, Greenland.

Internal Market

Council Directive 84/525—on the approximation of the laws of the member states relating to seamless, steel gas cylinders.

Council Directive 84/526—on the approximation of the laws of the member states relating to seamless, unalloyed aluminium alloy gas cylinders.

Council Directive 84/527—on the approximation of the laws of the member states relating to welded unalloyed steel gas cylinders.

Council Directive 84/528—on the approximation of the laws of the member states relating to common provisions for lifting and mechanical handling appliances.

Council Directive 84/529—on the approximation of the laws of the member states relating to electrically operated lifts.

Council Directive 84/530—on the approximation of the laws of the member states relating to common provisions for appliances using gaseous fuels, safety and control devices for these appliances and methods of surveillance of them.

Council Directive 84/531—on the approximation of the laws of the member states relating to appliances using gaseous fuels for instantaneous production of hot water for sanitary purposes.

Council Directive 84/532—on the approximation of the laws of the member states relating to common provisions for construction plant and equipment.

Council Directive 84/533—on the approximation of the laws of the member states relating to common provisions to the sound power level of compressors.

Council Directive 84/534—on the approximation of the laws of member states relating to the possible sound power level of tower cranes.

Council Directive 84/535—on the approximation of the laws of the member states relating to the permissible sound power level of welding generators.

Council Directive 84/536—on the approximation of the laws of the member states relating to the permissible sound power level of power generators.

Council Directive 84/537—on the approximation of the laws of the member states relating to the permissible sound power level of powered hand-held concrete-breakers and picks.

Council Directive 84/538—on the approximation of the laws of the member states relating to the permissible sound power level of lawnmowers.

Council Directive 84/539—on the approximation of the laws of the member states relating to the permissible sound power level of electro-medical equipment.

Environment

Council Directive 84/491—on limit values and quality objectives for discharges of hexachlorocyclohexane.

Council Directive 84/631—on the supervision and control within the European Community of the transfrontier shipment of hazardous waste.

Transport

Council Directive 85/3—on the weights and dimensions of certain road vehicles.

Council Regulation 3620/84—on allocation of Community funds to transport infrastructure projects.

Council Regulation 3621/84—allowing an increase in the current Community quota of road haulage permits over a 5-year period.

Social Affairs

Council Regulation of 19 December—on the organisation of a labour force sample survey in the spring of 1985.

Council Resolution of 19 December—on action to combat long-term unemployment.

Council Recommendation 84/635—on the promotion of positive action for women.

Council Decision 84/636—on a 3rd joint programme to encourage the exchange of young workers within the Community.

Health and Safety

Council Directive 84/467/Euratom—amending Directive 80/836 Euratom as regards the basic safety standards for the health protection of the general public and workers against the dangers of ionizing radiation.

Consumer Affairs

Council Directive 84/450—concerning misleading advertising.

Council Directive—amending Council Directive 75/106 on the approximation of the laws of the member states relating to the making up by volume of certain prepackaged liquids.

External Relations, Trade and Aid

Council Regulations 3599/84—on the conclusion of the Agreement in the form of an exchange of letters between the European Economic Community and the Socialist Republic of Romania amending Annex II to the Protocol annexed to the Agreement on trade in industrial products.

Council Decision 657/84—on the import quotas to be opened by member states in respect of State-trading countries in 1985.

Energy

Council Decision 84/541—relating to a contribution to the ECSC from the general budget of the European Communities.

ANNEX E

MAJOR MINISTERIAL SPEECHES ON COMMUNITY TOPICS

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
5 July ...	Rt Hon Paul Channon MP Minister for Trade	German Chamber of Commerce, London
25 September	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Common- wealth Affairs	Council on Foreign Relations, New York
5 October ...	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Common- wealth Affairs	UK Committee of the Bilder- berg Movement, London
11 October ...	Rt Hon the Lord Hailsham of St. Marylebone CH FRS DCL Lord Chancellor	Churchill Memorial Lecture, Luxembourg
11 October ...	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Common- wealth Affairs	Conservative Party Conference, Brighton
17 October ...	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Common- wealth Affairs	FRG Foreign Policy Society (DGAP) and the Anglo/ German Society (DEG), Bonn
1 November	Malcolm Rifkind Esq MP Minister of State, Foreign and Commonwealth Office	UK Association of European Law, London
12 November	Rt Hon Margaret Thatcher MP Prime Minister	Lord Mayor's Banquet, London
20 November	Rt Hon Paul Channon MP Minister for Trade	AGM of the Federation of Swiss Importers and Whole- sale Traders, Berne
26 November	David Trippier Esq MP Parliamentary Under - Secretary of State for Industry	Launch of Business Improve- ment Services using ERDF non-quota funds, London

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
30 November	Rt Hon Margaret Thatcher MP Prime Minister	Franco/British Council, Avignon
3 December	Rt Hon Paul Channon MP Minister for Trade	Milan Chamber of Commerce, Milan
3 December	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food	Smithfield Market, London
10 December	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs	Berliner Presse Konferenz, Berlin

ANNEX F

**MAJOR TREATIES AND AGREEMENTS
SIGNED BY THE COMMUNITY**

1. International Tropical Timber Agreement 1983.
Signed at Brussels on 29 June 1984.
2. Protocol to the 1979 Convention on Long-Range Transboundary Air Pollution on Long-Term Financing of the Co-operative Programme for Monitoring and Evaluation of the Long-Term Transmission of Air Pollutants in Europe (EMEP).
Signed at Geneva on 28 September 1984.
3. United Nations Convention on Law of the Sea 1982.
Signed at Brussels on 7 December 1984.
4. The Third Lomé Convention.
Signed at Lomé on 8 December 1984.

ANNEX G

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY

Note: All figures in the following text and accompanying table are on the Balance of Payments basis. Figures for Greece are included in all years.

Importance of Trade with the European Community

United Kingdom trade with other countries of the European Community now accounts for 45 per cent of our overseas trade compared with a share of about 30 per cent before accession. In recent years the Federal Republic of Germany has been our second most important export market and six of our top seven export markets are members of the European Community.

Trade Performance with the European Community

In 1984 United Kingdom trade (exports plus imports) with other members of the European Community amounted to over £65 billion with a deficit on the balance of visible trade of £2.6 billion. The ratio of exports to imports, at 92 per cent, was slightly higher than in 1983, and although this remains lower than in the peak years of 1980 and 1981 it is still a marked improvement on earlier years.

By Commodity

The continued growth in importance of North Sea Oil in our overseas trade with other countries of the European Community is reflected in the increase in recent years in the share (31 per cent in 1983 and 1984) of our exports accounted for by fuels. The trade surplus on that commodity, some £7.4 billion, was more than offset by deficits in such other areas of the account as manufactures and food, beverages and tobacco.

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY

BY COMMODITY

£ billion, BALANCE OF PAYMENTS BASIS

	Total Trade				Food, Beverages and Tobacco				Basic Materials			
	Exports	Imports	Balance	Export/ Import Ratio %	Exports	Imports	Balance	Export/ Import Ratio %	Exports	Imports	Balance	Export/ Import Ratio %
1970	2.4	2.3	+0.1	104	0.1	0.6	-0.4	24	0.1	0.1	+0.0	109
1971	2.5	2.7	-0.2	93	0.1	0.7	-0.5	22	0.1	0.1	+0.0	117
1972	2.8	3.4	-0.6	83	0.2	0.7	-0.5	27	0.2	0.1	+0.0	117
1973	3.9	5.2	-1.3	74	0.3	1.1	-0.8	28	0.2	0.2	+0.0	101
1974	5.5	7.7	-2.1	72	0.3	1.7	-1.3	20	0.3	0.3	-0.0	99
1975	6.2	8.7	-2.5	71	0.5	2.1	-1.6	26	0.3	0.3	+0.0	103
1976	8.9	11.2	-2.3	80	0.7	2.2	-1.5	32	0.5	0.5	+0.0	101
1977	11.7	13.6	-1.9	86	1.0	2.4	-1.5	40	0.6	0.5	+0.0	103
1978	13.3	15.9	-2.5	84	1.4	2.7	-1.3	53	0.6	0.5	+0.1	110
1979	17.3	19.9	-2.6	87	1.5	3.0	-1.5	50	0.8	0.6	+0.1	119
1980	20.4	19.7	+0.8	104	1.6	2.9	-1.3	55	0.9	0.6	+0.2	141
1981	20.9	20.8	+0.0	100	1.7	3.1	-1.4	55	0.7	0.8	-0.1	90
1982	23.0	24.4	-1.4	94	1.9	3.6	-1.7	52	0.7	0.8	-0.1	88
1983	26.5	29.0	-2.5	91	2.0	4.0	-2.1	49	0.9	1.0	-0.1	89
1984	31.4	34.1	-2.6	92	2.1	4.5	-2.3	48	1.1	1.3	-0.1	89

Source: Department of Trade and Industry.

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY—continued

BY COMMODITY

£ billion, BALANCE OF PAYMENTS BASIS

	Fuels				Manufactures				
	Exports	Imports	Balance	Export/ Import Ratio %	Exports	Imports	Balance	Export/ Import Ratio %	
1970	0.1	0.1	-0.0	71	2.0	1.4	+0.5	137	
1971	0.1	0.2	-0.0	75	2.1	1.7	+0.3	119	
1972	0.1	0.2	-0.1	67	2.3	2.3	+0.0	98	
1973	0.2	0.3	-0.1	71	3.0	3.5	-0.5	87	
1974	0.5	0.6	-0.2	70	4.3	5.0	-0.6	87	
1975	0.5	0.7	-0.3	65	4.7	5.4	-0.7	87	
1976	0.8	0.9	-0.2	83	6.8	7.4	-0.7	91	
1977	1.2	1.0	+0.2	120	8.7	9.4	-0.8	92	
1978	1.4	0.9	+0.4	146	9.7	11.5	-1.8	84	
1979	2.7	1.5	+1.2	181	12.0	14.6	-2.6	82	
1980	4.3	1.4	+2.9	302	13.3	14.5	-1.2	92	
1981	5.6	1.5	+4.0	363	12.5	15.2	-2.6	83	
1982	6.3	1.5	+4.8	414	13.7	18.2	-4.4	76	
1983	8.1	1.5	+6.6	540	15.0	22.2	-7.1	68	
1984	9.8	2.4	+7.4	413	17.9	25.6	-7.7	70	

Source: Department of Trade and Industry