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WHITE PAPER ON DEVELOPMENTS IN THE EUROPEAN COMMUNITY, JANUARY-JUNE 1985

Note by the Secretary of State for Foreign and Commonwealth Affairs

Members of the Defence and Oversea Policy Committee Sub-Committee on European Questions have already seen a draft of the latest White Paper on Developments in the European Community.

2. The attached pre-publication version is circulated for the information of the Cabinet. It will be published on 27 September.

Foreign and Commonwealth Office

26 September 1985

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**Developments in the European
Community
January—June 1985**

**DEVELOPMENTS IN THE EUROPEAN COMMUNITY
JANUARY-JUNE 1985**

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Note: Save when stated otherwise, European currency units (ecu) have been converted at the 1 June 1985 market rate of 1.75 ecu = £1.

SECTION 1: INTRODUCTION

1.1 This White Paper covers the Italian Presidency of the Council of Ministers from 1 January to 30 June 1985. At the beginning of this period the members of the new Commission took office. The enlargement negotiations were completed and the Spanish and Portuguese Accession Treaty signed. Agreement was reached on the new own resources decision embodying the budgetary corrective mechanism for the United Kingdom. With these long-standing issues resolved the Community was able to give greater attention to its future development and in particular to institutional reform and better decision-making. This was the main subject for discussion at the Milan European Council which followed the completion of the work of the Ad Hoc Committee on Institutions. An inter-governmental conference will now be held to consider institutional reforms in the Community, possible Treaty amendments, and the proposals put forward by the United Kingdom and others for greater political co-operation.

1.2 The **accession negotiations with Spain and Portugal** were brought to a successful conclusion at the Foreign Affairs Council of 28-29 March when agreement, subsequently endorsed by the European Council of 29-30 March, was reached on the main outstanding points on agriculture, fisheries, social affairs and own resources. Heads of Government and Foreign Ministers signed the Treaty of Accession for Spain and Portugal at ceremonies in Madrid and Lisbon on 12 June. Spain and Portugal will accede on 1 January 1986 after ratification procedures have been completed by all 12 states. The Government welcomes Spanish and Portuguese membership and the contribution it will make to strengthening Western democracy.

1.3 The Foreign Affairs Council on 7 May agreed the text of the **new own resources** decision, and recommended it to member states for approval in accordance with their respective constitutional requirements. This Decision (published in the United Kingdom as Command Paper 9549) embodies the budgetary corrective mechanism for the United Kingdom and the increase in the value-added tax (VAT) ceiling to 1.4 per cent agreed at Fontainebleau. It also includes the provision for the United Kingdom's 1,000 million ecu (about £570 million) abatement in respect of 1984, to be paid by deduction from its VAT payments. When this decision has been ratified by all member states the United Kingdom will have achieved its goal of an enforceable, lasting and automatic abatement system. The mechanism will have treaty status. The abatement will be made automatically, by being written into the annual budget and effected by lower monthly VAT payments by the United Kingdom. As a result of the mechanism, the United Kingdom VAT rate should remain below 1 per cent despite the increases in the ceiling to 1.4 per cent. That ceiling, like the mechanism, cannot be changed without the United Kingdom's agreement. Under the new decision, the maximum United Kingdom net contribution to new Community policies will be only about 7 per cent, compared with 21 per cent in the past and with 26 per cent for France and 31 per cent for Germany in the future. In future years the United Kingdom's net contribution to the Community budget is likely to be about

half of what it would have been had the agreement not been reached, had there been no further refunds and had the 1 per cent ceiling been maintained.

1.4 The European Council in March adopted a target of 1992 for completion of the **internal market**, and asked the Commission to set in hand a study of the scope for **deregulation** to remove obstacles to the operation of enterprises. The Commission issued in June a White Paper (Com [85] 310) on the completion of the internal market which set out in detail proposals for the removal of physical, technical and fiscal barriers to trade in goods and services by 1992. The European Council at Milan on 28–29 June reaffirmed its commitment to the 1992 target and identified specific areas for priority action. These decisions of the European Council reflect the efforts made by the United Kingdom Government to establish completion of the common market as a priority goal for the entire Community. Further practical progress was made towards an open internal market during the period, notably with agreement on proposals to speed up the Community's programme for harmonising product standards to reduce technical barriers to trade, and the agreement on the right of establishment for architects.

1.5 The **Ad Hoc Committee on Institutions** continued to meet under the chairmanship of Senator James Dooge until March when it presented its final report to the Heads of Government at the Brussels European Council on 29–30 March. The report recommended *inter alia* early completion of the common market, reinforcement of political co-operation and the holding of an inter-governmental conference to draft a Treaty of European Union. The latter was subject to a reserve by three members of the Committee including Mr Malcolm Rifkind MP. At the Brussels European Council it was decided that further bilateral contacts should take place in order to enable the Milan European Council to arrive at final conclusions.

1.6 In the run-up to the **European Council in Milan** on 28–29 June, the United Kingdom presented to other member states a draft agreement formalising political co-operation. The European Council agreed that this, together with a Franco–German text tabled on the eve of the European Council, would be considered further with a view to final decisions at the European Council at Luxembourg. Heads of State and Government also reached agreement on priorities for early action to complete the common market and on the next steps on proposals for action to strengthen the Community's technological base, including the Eureka project.

1.7 The United Kingdom also tabled proposals for improved decision-making and for improving consultation between the Council and Parliament. The European Council decided, however, to refer decisions on institutional reform to an inter-governmental conference which would consider amendments to the Treaty in advance of the Luxembourg European Council in December.

1.8 The **Ad Hoc Committee on a People's Europe** presented a first report in March and a second and final report in June. The Committee put forward a large number of measures which could be put into effect relatively quickly

and which would be of direct benefit to the people of Europe in their everyday lives. The first report was devoted largely to measures which would ease the controls and practices causing difficulty to travellers at intra-Community frontiers. The second report was aimed largely at facilitating contacts between people in the European Community and the gradual abandonment of administrative formalities where they were no longer necessary. They were endorsed by the Brussels and Milan European Councils, and relevant implementing proposals from the Commission are now expected, complemented by action by member states where appropriate.

1.9 The European Council in March reached final agreement on **integrated Mediterranean programmes (IMPs)** aimed at improving the economic structures of the southern regions of the existing Community to enable them to adjust to the new situation created by enlargement. They will last seven years, and will be financed by means of a contribution of 2,500 million ecu (£1,450 million) from the existing structural funds and additional resources of 1,600 million ecu (£930 million). Loans of 2,500 million ecu (£1,450 million) will also be made available. The structural funds will continue to operate normally: increases in real terms accruing to the funds during the period concerned will help finance the IMPs without adversely affecting transfers to the less prosperous regions of the Community. In June the Foreign Affairs Council agreed on the text of a regulation implementing these decisions.

1.10 The settlement of most **agricultural prices** at the price-fixing in May continued the progress started last year in containing the costs of the common agricultural policy (CAP). However, no decision was possible on cereals or rapeseed because Germany invoked the Luxembourg compromise to block the price reductions proposed for these commodities. Subsequently the Commission adopted measures to manage the cereals and rapeseed sectors which involved a reduction in prices. The Commission stated that it would take the necessary measures in managing agricultural markets to avoid any recourse to a supplementary budget for 1985. The Commission confirmed that its package including its final proposals on cereals and rapeseed was within the financial guideline for agriculture.

1.11 In the field of **research and development** the Community devoted much attention to ways of closing the technological gap between Europe on the one hand, and the United States and Japan on the other. The United Kingdom has welcomed and played a positive role in developing the ideas known as Eureka. Progress was made in other areas, including the new research and development programme in advanced communications technologies for Europe (RACE); the site for the European synchrotron radiation facility; procedures for considering wider European participation in other large research facilities, including the spallation neutron source at the Rutherford Appleton Laboratory; and the establishment of a tritium handling laboratory at the Community's Joint Research Centre. The United Kingdom welcomed these agreements which were reached without recourse to funding beyond that agreed at the December 1984 Research Council and, in the case of the tritium handling laboratory, with the assurance that the

decision would not give rise to any increases in the costs of the Community's Joint Research Centre.

1.12 On the **environment** the Community set the framework for a directive to reduce the permitted levels of car exhaust emissions. The directive when adopted will allow member states to require substantial reductions in the permitted levels of exhaust emissions, to come into effect, depending on the size of vehicle, between 1988 and 1993. It is hoped that for small and medium sized cars the levels set will be achievable by fuel efficient lean burn engines equipped where necessary with an efficient oxidation catalyst. But in some cases it may be necessary to resort to three-way catalyst technology, which will be required for large cars.

1.13 In the **transport** field, discussions at the two Councils were dominated by the judgment of the European Court of Justice (ECJ) that the Council was in breach of the Treaty for having failed to implement freedom to provide services in the transport sector. But little progress was made in deciding how the Council should respond to the ECJ's judgment. Some progress was, however, made on a number of specific issues including preparations for the **European Road Safety Year** in the Community in 1986, procedural conclusions on the Commission's memorandum on maritime transport, and agreement on the principles for the revision of the regulations governing driver's hours for commercial road haulage and passenger transport.

1.14 In the **social and employment field** agreement was reached on a decision on the comparability of vocational training qualifications between member states of the Community, and considerable progress was made on the draft directive on noise at work. The Council also agreed to adopt a resolution on guidelines for a Community policy on migration. The Commission decision on applications for assistance from the European Social Fund was issued on 19 June. The United Kingdom allocation amounted to some £292 million, just under 24 per cent of all allocations, and the second highest total in the Community. A further allocation is expected later in the year.

1.15 On **energy issues** the Government welcomed the agreement reached on further funding for energy demonstration projects and for technological projects in the hydrocarbon sector. Discussions about refined oil products concluded that additional supplies from the Middle East and North Africa could be absorbed into world markets, and the aim should be to maintain or create conditions where these additional imports would fall equitably in all markets. The Commission announced its intention to table a new proposal to govern the payment of aids by member states to their coal industries. The United Kingdom emphasised that the proposal should recognise that the task of devising arrangements best suited to their own industrial, employment and social conditions should be left to the member states concerned.

1.16 On **external trade** the Community agreed to participate in a new round of multilateral trade negotiations subject only to adequate prior consensus within the General Agreement on Tariffs and Trade (GATT). The

Government is keen that these negotiations should begin in early 1986. The Community continued to press the Japanese Government to take early and effective action to bring about a significant, sustained and clearly verifiable increase in its imports of manufactured goods. The Community attached similar importance to the proposed liberalisation of Japan's financial markets and the internationalisation of the yen. In the face of growing protectionist pressures in the United States the Community continued to stress the importance of the United States Government's adherence to the open trading system. The Community welcomed action taken by some individual states to remove or reform the unitary system of taxation. The Community itself implemented tariff cuts agreed in GATT—some ahead of schedule—and offered to liberalise 28 of its import restrictions providing other countries offered reciprocal liberalisation.

1.17 Commitments by the Community and member states reached the target of 1.2 million tonnes of grain to the worst affected countries set by the European Council in Dublin on 3–4 December 1984: by the end of June two-thirds of this had been delivered or was *en route*. Commitments of **food aid** for 1985 to all sub-Saharan African countries affected by drought stood at nearly 2.3 million tonnes by the end of June. The European Council on 28–29 June instructed Development Ministers to consider urgently a Commission proposal to create a special reserve which would allow a further 500 thousand tonnes of cereals to be mobilised over and above the normal food aid programme should the drought continue. The Government believes the first priority should be to use the existing food aid programme to relieve starvation.

1.18 In the field of political co-operation the Ten also continued to work for a common approach on major international issues including the problems of terrorism, the Middle East, East/West relations and Central America.

SECTION II: ENLARGEMENT AND DEVELOPMENT OF THE COMMUNITY

Enlargement

2.1 The most difficult issues in the accession negotiations were only resolved in the final stages: fisheries, agriculture, social affairs and own resources. The Community had to reach agreement with the applicants on the outstanding issues early in 1985 if the 1 January 1986 timetable for Spanish and Portuguese accession was to be met. Under a skilful and determined Italian Presidency the long awaited breakthrough came at an unprecedented five-day Foreign Affairs Council on the 17-21 March, when the elements of the final package were identified. The Community was able to reach formal agreement with both Spain and Portugal on the main outstanding points at the additional Foreign Affairs meeting on 28-29 March. The European Council endorsed these agreements on 29-30 March. Agreement was reached at the same meeting on integrated Mediterranean programmes so opening the way for signature of the Accession Treaty before the end of the Italian Presidency.

2.2 On fisheries, satisfactory agreement was reached on the basis on which Spain and Portugal would be incorporated into the common fisheries policy. With very few exceptions, Spanish and Portuguese access to Community waters will be limited to those waters and species to which they currently have access, while the number of Spanish and Portuguese vessels fishing in United Kingdom waters will continue to be strictly controlled. There will be no Spanish and Portuguese access to the North Sea.

2.3 On agriculture, 85 per cent of Portuguese agriculture and the Spanish fruit and vegetable sector are to be incorporated into the relevant CAP regimes over 10 years; there will be a seven-year transition in most other sectors. Community exports to Spain of northern products such as beef, veal, dairy products and wheat for breadmaking are to be subject to surveillance under arrangements allowing for progressive rates of increase for four years after accession. Portugal will be allowed to import 75 thousand tonnes of cane sugar each year from four African, Caribbean and Pacific (ACP) States for the duration of the seven-year transitional period. Until the Community brings into effect a general reform of the vegetable oils and fats sector, Spanish and Portuguese intervention prices for olive oil will be aligned to Community levels at the rate of 5 per cent a year. Once the reform is introduced, prices will be aligned by the end of the 10-year transitional period. Spain undertook to implement the measures agreed at the Dublin European Council to control wine production; her own production level as the basis for compulsory distillation after accession is set at 27.5 million hectolitres. The names "British Sherry", "Irish Sherry", and "Cyprus Sherry" are to be safeguarded for 10 years, with a review in 1995 to determine arrangements thereafter.

2.4 The Community and Spain and Portugal also agreed on seven years as the transitional period for free movement of labour. The transitional arrangements on own resources provide a system of degressive refunds to Spain and Portugal of VAT/Gross National Product contributions following

the pattern agreed for Greece; Portugal is expected to be a net beneficiary from accession, while Spain's net balance with the Community is likely to be broadly neutral for the first six years after accession.

2.5 Even after the main agreements had been reached at the end of March, considerable detailed negotiations between the Community and Spain and Portugal remained to finalise the texts of the Treaty and Act of Accession which were completed finally on 7 June. Signature of the Treaty of Accession of Spain and Portugal took place at ceremonies in Madrid and Lisbon on 12 June. The Secretary of State for Foreign and Commonwealth Affairs and the United Kingdom Permanent Representative to the European Communities were the United Kingdom signatories.

Development of the Community

2.6 **The Ad Hoc Committee on Institutions** (the Dooge Committee) set up by the Fontainebleau European Council completed its work in March when it presented a final report to the European Council in Brussels on 29–30 March. The report identified three priority objectives for the Community: the creation of a homogeneous internal economic area (of which the creation of a genuine internal market was the major element), the promotion of common values of civilisation and the search for an external identity. It went on to make recommendations for institutional reforms in the Community including enhancement of the role of the European Parliament and more effective decision making in the Council. The report recommended that an inter-governmental conference be convened to draft a treaty on European Union. Its conclusions formed the main basis for discussion at the European Council in Milan on 28–29 June. The Prime Minister's representative on the Committee, Mr Malcolm Rifkind, MP, entered reservations and put forward alternative ideas on the sections of the report dealing with the powers of the European Parliament, decision taking and the convening of an inter-governmental conference.

2.7 At the Milan European Council the United Kingdom put forward proposals covering the completion of the common market, strengthening political co-operation, improvements in decision making and exploitation of advances in high technology. On the first, the European Council instructed the Council of Ministers to initiate a precise programme of action with a view to achieving completely and effectively the conditions for a single market in the Community by 1992 at the latest in accordance with a binding timetable. On the second and third points the European Council decided by unprecedented majority vote to convene an inter-governmental conference to draw up a treaty on a common foreign and security policy and to determine by common accord the amendments to be made to the EEC Treaty on the Council's decision making procedure, the Commission's executive powers, the powers of the European Parliament and the extension of Community activities to new spheres. The European Council also decided to strengthen technological co-operation and gave its support to the Eureka project.

SECTION III: ECONOMIC, BUDGETARY AND MONETARY MATTERS

New Own Resources Decision

3.1 The Council continued its discussion of the new own resources decision needed to give effect to the Fontainebleau agreement on the United Kingdom's abatement and on the increase in the value added tax (VAT) ceiling to 1.4 per cent from 1 January 1986. These discussions centred on the arrangements for financing the 1985 Budget: in particular, the method of paying the United Kingdom's 1,000 million ecu (about £570 million) abatement in respect of 1984 and the method of financing the Communities inescapable financial obligations beyond the resources available under the 1 per cent VAT ceiling. The solutions eventually adopted were to make provision for the United Kingdom's 1,000 million ecu through the own resources decision and to finance the budget overrun through an inter-governmental agreement (paragraph 3.10).

3.2 The Foreign Affairs Council of 17–21 March agreed a common position on the text of the own resources decision on this basis, subject only to a Greek reserve which was lifted at the Brussels European Council on 29–30 March. The relevant provision laid down that when the decision had been ratified by all member states, the United Kingdom would be entitled to a deduction of 1,000 million ecu from the amount of VAT payable by it in 1985. The resulting revenue shortfall would be made up by increased VAT or financial contributions from the other member states allocated according to their financing share of the abatement mechanism itself. A consequence of this arrangement is that the 1985 VAT rate will no longer be uniform and in all member states except the United Kingdom will have to exceed 1 per cent. This arrangement has to be effected by a derogation in the new decision from the 1970 own resources decision. The necessary budgetary provision setting out these VAT adjustments was included in the 1985 Budget adopted on 13 June. The adjustments themselves will be implemented following ratification of the new decision by all member states.

3.3 The text agreed by the Council on 21 March was subject to consultation with the European Parliament. This took place on 29 April. Following this consultation, a further change was made in the provision relating to the funding of supplementary research programmes (see paragraph 3.4.d). This revised text was then adopted by accelerated written procedure on 7 May. At the same time, and by the same method, the Council formally endorsed a Commission working document setting out in detail such matters as the definition of the allocated budget and the precise methodology to be used in calculating the United Kingdom's abatement.

3.4 The text recommended by the Council to member states for adoption contains the following main elements—

- (a) the increase to 1.4 per cent of the maximum rate of VAT payable in any member state with effect from 1 January 1986;

- (b) the replacement of a single uniform rate by variable VAT rates;
- (c) the provision for the United Kingdom's abatement. This is calculated from the difference between its VAT share of the allocated budget and its allocated receipts. 66 per cent of that difference is returned to the United Kingdom by abatement of the succeeding year's VAT contributions. The abatement will first apply to contributions in 1985, and will therefore be paid for the first time with effect from 1 January 1986. (The allocated budget is that part of the budget where receipts can be assigned to member states. It covers about 95 per cent of the 1985 Budget. The chief excluded item is overseas aid.) The shortfall in contributions arising from the United Kingdom abatement will be made up by the other member states according to their VAT shares, except that Germany will contribute only two-thirds of the amount that would be due on that basis;
- (d) a provision allowing for national financing within the budget by one or more member states of supplementary EEC and Euratom research programmes, provided both the scale and overall level of the financing are fixed by the Council unanimously. Previously, such national financing had been limited to Euratom research programmes, and the Council had not been able to determine the overall limit of the funding;
- (e) the continuation of the "traditional own resources" of customs duties, and agricultural and sugar levies, together with the provision for refund of 10 per cent of these to member states as compensation for the cost of collecting own resources on the Communities' behalf;
- (f) the provision for the United Kingdom's 1,000 million ecu abatement in respect of 1984.

3.5 Points (a) to (e) will come into force when both the own resources decision and the Accession Treaty with Spain and Portugal have been ratified by all member states. This provision is to accommodate the German desire to see an explicit link between new own resources and enlargement. It is open, however, to the Council to decide unanimously on an earlier date. In any case, the provisions will take effect from 1 January 1986; if necessary, the VAT increase and the United Kingdom's abatements in respect of 1985 will be backdated. Point (f) will come into force on the second day following the last ratification of the own resources decision alone.

Refunds

3.6 The Commission carried out spot checks under the employment measures regulation 1888/84 and authorised payment of the outstanding 10 per cent balance of 27.5 million ecu (£16.5 million) on 26 January 1985.¹ The checks under the transport and energy regulations 1889-90/84 were carried out in March. The Commission then authorised payment of the whole outstanding 10 per cent balance on the transport measures, 46.1 million ecu (£28.5 million²) and some 25.4 million ecu (£15.7 million²) on the energy measures. The remaining balance of 0.3 million ecu (£179,000²) was withheld

¹ Converted at the rate of 1.66 ecu = £1. (December 1984 rate).

² Converted at the rate of 1.62 ecu = £1. (March 1985 rate).

until the Commission has amended the Decision and reallocated to other United Kingdom measures the provision originally allocated to the Richborough Windmill and Longannet power station projects, which had not gone ahead as planned. Payment will be authorised when the amended Decision is adopted by the Commission.

3.7 These payments brought the total amount received under the 1983 budget refund agreement to some £588.7 million. The gross value of the refunds received under the various refund agreements related to the Community budgets for 1980–1983 was some £3.2 billion. The net value of this amount was £2.5 billion.

1985 Budget

3.8 Following the rejection by the Parliament of the 1985 draft budget, on 1 April 1985 the Commission submitted to the Council letter of amendment No. 3 to the preliminary draft budget for 1985. Before drawing up a new draft budget the Council held a meeting with a delegation from the European Parliament on 23 April. The new draft 1985 budget was established by the Council on 24 April 1985.

3.9 The new draft budget provided for the United Kingdom's 1,000 million ecu (about £570 million) abatement in respect of its contribution to the 1984 Budget on the revenue side and for expenditure of 27.9 billion ecu (£15.9 billion). The main expenditure increases over the draft budget established in 1984 were for agriculture—European Agricultural Guidance and Guarantee Fund (EAGGF) guarantee 1.9 billion ecu (£1.1 billion)—food aid 26.1 million ecu (£14.9 million), and 70 million ecu (£40 million) commitments for integrated Mediterranean programmes.

3.10 To meet the revenue requirements in excess of the VAT contribution member states, through the inter-governmental agreement, granted a non-repayable advance of some 1.9 billion ecu (£1.1 billion).

3.11 The European Parliament gave a first reading to the new draft budget on 9 May. The Parliament's amendments and modifications were considered by the Council at its second reading on 22 May. The 1985 budget was adopted by the European Parliament on 13 June 1985.

1986 Budget

3.12 The start of the 1986 budgetary procedure was delayed by the late adoption of the 1985 budget. On 14 June the Commission adopted the preliminary draft budget (PDB) for 1986 and submitted to the Council a document setting out the key figures in the PDB. The full PDB was due to be published in July and will be considered by the Budget Council in September.

Economic and Finance Council Business

3.13 On 11 February Economic and Finance Ministers discussed the financing of the agricultural structures policy for 1985–1989. This was continued at the 11 March Council which adopted an opinion, in accordance with the arrangements laid down on budgetary discipline, that the total

amount to be made available for expenditure commitments to be charged to the Guidance Section of the EAGGF for the next five years should be limited to 5,250 million ecu (about £3,000 million).

3.14 In response to a United Kingdom initiative, the March Council also discussed the major points arising from the report of the Court of Auditors on the execution of the 1983 Community Budget. This was the first occasion on which a Court of Auditors report had been discussed by the Council. There was agreement that further work was needed on the deficiencies identified in the Court's report, to be followed by a report back to the Council.

3.15 In March, the Council conducted its first quarterly review of the economic situation in the Community, and concluded that the guidelines set out in the 1984-85 Annual Economic Report should not be changed. In June, the Council considered profitability, investment and employment in the Community: work on this will continue, in preparation for the next Annual Economic Report.

3.16 The June Council discussed the procedure for applying budget discipline to the 1986 Community Budget. It also agreed on a package of intra-Community travellers' allowances from 1 October 1985 (with certain derogations for some member states) (see paragraph 3.21) and on a regular adjustment of these allowances to maintain their real value. A common position was reached on the 20th VAT directive, which provides for special national aid for German farmers as agreed at Fontainebleau.

3.17 The Council's discussions covered also the draft unit trust directive; a new negotiating mandate on mixed credits in preparation for negotiations in the Organisation for Economic Co-operation and Development; and tax measures to encourage co-operation between undertakings in different member states.

European Monetary System (EMS)

3.18 Discussion on the further development of the EMS continued. In June, Central Bank Governors agreed on a package of measures to improve the usability of the ecu for official Community transactions, and to allow certain non-member states' central banks and international monetary institutions to acquire official ecus. At their June meeting, Finance Ministers considered the longer term perspectives of the EMS development, and asked the Monetary Committee and the Committee of Central Bank Governors to continue work on this, in particular on the official and private ecu. On the liberalisation of capital movements and exchange controls, the Monetary Committee put in hand work to revive the annual examination of restrictions, as provided for in Article 4 of the 1960 Directive.

European Investment Bank (EIB): Capital Increase

3.19 The capital increase is necessary to allow the EIB to continue its lending activities over the next six years. At its meeting on 11 June 1985, the Board of Governors of the EIB agreed that the subscribed capital of the Bank should be doubled from 14.4 billion ecu (£8 billion) to 28.8 billion ecu (£16

billion) from 1 January 1986. Accordingly the Board formally decided to increase the subscribed capital for the existing member states to 26.5 billion ecu (£15 billion) and further noted that, upon the accession of Spain and Portugal to the Community, subscribed capital would rise further to 28.8 billion ecu, as a result of those member states' subscriptions. Within the new level of 28.8 billion ecu, there will be a redistribution of subscribed capital to bring Italy's subscribed capital up to the same level as that of the United Kingdom, France and Germany.

3.20 As a consequence of these decisions, the United Kingdom's subscribed capital will rise from 3.150 billion ecu (£2 billion) to 5.509 billion ecu (£3 billion) and the United Kingdom's share of subscribed capital in the enlarged Community will be about 19.1 per cent, the same as that of France, Germany and Italy. The Board of Governors also decided that member states would pay in 7.5 per cent of the increase in subscribed capital, in 12 semi-annual instalments beginning on 30 April 1988 and ending on 31 October 1993. Thus, the United Kingdom will pay some 29.5 million ecu—or about £17 million at the current rate of exchange—in each of the financial years from 1988–89 to 1993–94 inclusive.

Customs Union

3.21 Work on harmonisation of customs and VAT legislation continued. The Council of Finance Ministers meeting on 11 June agreed a number of increases to the travellers' allowances and the tax reliefs for small postal consignments and fuel in the tanks of buses. The main effects are that, from 1 October 1985, the value element of the travellers' allowance for goods acquired tax-paid in a Community member state will be increased from 280 ecu (£163) to 350 ecu (about £200); the travellers' allowance for still table wine acquired tax-paid in a member state will be increased from 4 to 5 litres; and the intra-Community tax relief for small postal consignments sent between private individuals will be allowed on a value up to 100 ecu (about £60)—previously 70 ecu (£40). There will be some derogations for Ireland, Greece and Denmark. Tax relief on fuel in the standard tanks of buses crossing Community borders will be allowed up to a quantity of at least 600 litres.

3.22 At the Customs Co-operation Council in Brussels on 10 June the International Convention on the Harmonised Commodity Description and Coding System was signed by the United Kingdom and all other member states and the Community. The system provides for the identification and classification of commodities of significance in world trade, and given the widest possible adoption, should provide significant trade facilitation advantages. The Convention is subject to later ratification and a firm date for its implementation is not yet available.

3.23 On 26 March the Industry Council adopted a decision noting the Commission's report on the implementation of a long-term programme for the use of automatic data processing for Community information systems concerned with imports/exports and the management and financial control of agricultural market organisations (the CADDIA project). It asked the

Commission to undertake future development of the project, assisted by a steering committee on which the member states will be represented. The CADDIA project is designed to ensure, particularly through the adoption of common international standards, that the Commission and the member states co-operate fully in developing compatible data processing systems for the operation of the Customs Union and of the Community's commercial policies and the agricultural market organisations.

3.24 The Commission White Paper which calls for the abolition of frontier controls within the Community by 1992 is being studied. The European Council agreed at Brussels in March that movement towards the abolition of frontier formalities must remain compatible with the need for effective measures to combat terrorism and drug trafficking.

Excise Duties

3.25 Following the Commission's Reasoned Opinion issued in November 1983 alleging that the United Kingdom's criteria for granting relief from duty on alcohol used in perfumed spirits and toiletries were in breach of Article 95 of the Treaty of Rome, and the subsequent reference to the European Court of Justice, further discussions have taken place with the Commission. As a result, the Commission has secured from the European Court of Justice a suspension of the case for a period of six months, which expires on 20 August 1985, and has stated that the case will be withdrawn if proposed amendments to the present marking requirements are satisfactorily put into effect by that date. These amendments involve a relaxation for certain perfumed spirits and toiletries produced in other member states of the Community, and the United Kingdom proposes to implement them with effect from 1 August 1985. The present denaturing requirements will not be changed.

3.26 The White Paper published by the Commission on the completion of the internal market describes action for the harmonisation or approximation of value added tax and excise duty structures and rates which the Commission sees as essential if fiscal barriers within the Community are to be removed. The European Council on 28-29 June remitted these proposals for further study by Economic and Finance Ministers.

SECTION IV: AGRICULTURE AND FISHERIES

The Common Agricultural Policy Price Fixing for 1985

4.1 The Commission's proposals for common prices in 1985-86 were published in February 1985; a settlement was reached at the Agriculture Council on 16 May for all commodities except cereals and rapeseed. When negotiations on these latter commodities resumed at the 11-12 June Agriculture Council on the basis of compromise proposals put forward by the Commission, Germany formally invoked the "Luxembourg Compromise". In view of the German position the United Kingdom, France, Ireland, Greece and Denmark (as well as Germany) did not take part in the vote called by the Presidency. Consequently no decision was taken. Subsequently, the European Commission adopted measures which it considered essential to ensure the continuity of operations of the rapeseed and cereals sectors without excessive market disruption and unnecessary public expenditure, and without prejudice to the Council's final decisions on 1985-86 prices. These measures implied institutional prices at levels proposed in the Commission's final compromise.

4.2 The package of measures agreed, taken together with the Commission's precautionary measures in the cereals and rapeseed sectors, is estimated to constitute a reduction in CAP support prices (expressed in real terms) across the Community of between 3 and 4 per cent. This estimate is necessarily provisional pending Council decisions on cereals and rapeseed. The Commission stated that *it* would take the necessary measures in managing agricultural markets to avoid any recourse to a supplementary budget for 1985. The United Kingdom has maintained in the negotiations that the cost of the final overall package should be within the financial guideline for agriculture as it applies first to expenditure in 1986. The Commission estimated that its final package (including its final proposals on cereals and rapeseed) was just within the guideline figure.

4.3 The target price for milk was increased by 1.5 per cent and the ratio of butter to skimmed milk powder prices was altered resulting in a 2 per cent reduction in the intervention price for butter and a 4.9 per cent increase in that for skimmed milk powder. The rate of co-responsibility levy for 1985-86 was reduced from 3 to 2 per cent of the target price with effect from 1 April 1985. The guaranteed total quantity for 1985-86 under the milk quota/supplementary levy scheme was reduced on that date to 98.177 million tonnes. The quota reserve was increased by 58,000 tonnes to 393,000 tonnes for 1984-85 and 1985-86, this extra quantity being allocated to the Republic of Ireland. The United Kingdom allocation from the reserve for the benefit of Northern Ireland will continue to be 65,000 tonnes. It was agreed that the milk supplementary levy should be collected annually from 1985-86, not quarterly; that the provision to allow transfer of unused quota within or between regions should continue for the 1985-86 quota year; that member states be permitted to utilise levy funds collected on quantities of milk produced within the national quotas to finance measures for the cessation of milk production; and that provision be made for adjustments between national direct sales and wholesale quotas to take account of structural

changes. The Commission also gave an undertaking to submit proposals for a Community Outgoers' Scheme before 1 November 1985. The consumer butter subsidy in the United Kingdom was discontinued, but the effect of its removal was offset in part by the reduction in the intervention price for butter, so that the effect on the retail price is expected to be an increase of only 1p per 250 gm packet.

4.4 The beef variable premium scheme was extended for a further year until 6 April 1986. The calf premium was also continued but at a reduced rate of 9 ecu (£5.57)¹ per head with Italy only allowed to supplement this from national funds up to a total of 32 ecu (£19.50),¹ the rate applicable in 1983-84. No change was made to the suckler cow premium and the United Kingdom will continue to supplement the Community contribution to a total of 40 ecu (£24.75)¹ per cow, the maximum amount allowed under Community rules. The guide price for beef was unchanged, but intervention buying-in prices moved to stage II of the three-year transitional process towards harmonised prices, based on the carcass classification grid, which resulted in a 1-2 per cent increase in United Kingdom buying-in prices. The Agriculture Council also agreed to provide for measures for the rationalisation of slaughterhouses including meat processing plants.

4.5 For sheepmeat, the basic price was left unchanged for the remainder of 1985, but will be increased by 1 per cent in January 1986; from that date the start of the marketing year will move from April to January. The shape of the seasonal scale of guide prices for 1985 and 1986 has been modified to encourage more orderly marketing. The variable premium scheme will continue to operate in Great Britain without change, although the special export certification arrangements are to be reviewed by 1 October 1985. The exemption from clawback for exports from Great Britain to third countries has been extended until the end of the 1987 marketing year. The Council agreed that it would adopt, before October, regulations which will extend annual premium payments from 1986 onwards to untapped shearlings of certain breeds of sheep maintained in specified mountainous areas and also to goats in certain regions of the Community.

4.6 The basic sugar beet price was unchanged. The white sugar intervention price was increased by 1.3 per cent and the raw sugar intervention price by 1.15 per cent.

4.7 With regard to other products, the guarantee threshold mechanism for processed tomato product was improved by the limitation of processing aid to production within the threshold; in fresh fruit and vegetables reductions of up to 3 per cent were agreed in tomato and citrus fruit support prices; tobacco premia were reduced by up to 4 per cent; the intervention price for olive oil and the guide prices for wine were unchanged; the intervention price for sunflower seed was reduced by 1.5 per cent.

Monetary Arrangements

4.8 On agrimonetary arrangements the Agriculture Council agreed to devaluations of the representative rates used to convert agricultural support prices

¹ Converted at the green rate of 1.62 ecu = £1.

to national currencies for France, Greece and Italy.

Structural Measures

4.9 The Agriculture Council on 11–12 March agreed a new package of measures for improving the efficiency of agricultural structures. These measures were contained in Council Regulation 797/85 which came into force on 1 April 1985, superseding Directive 72/159 on farm modernisation. Member states have until 1 October 1985 to implement the regulation, except for some further restrictions on grants for investment in milk and pig production, which had immediate effect. The new regulation provides for a system of investment aids which is directed towards smaller farmers and which takes account of the state of the market for agricultural products. Other more significant changes from the existing structures policy are increased levels of assistance to encourage diversification into farm tourist and craft projects; and new provisions for assisting the planting and improvement of farm woodland, and for encouraging farming methods and practices which are beneficial to conservation in environmentally sensitive areas. This last provision originates from a proposal by the United Kingdom.

Milk Supplementary Levy

4.10 The Agriculture Council on 25–26 February agreed various changes in the operation of the milk supplementary levy scheme. Provisions were made to permit flexibility between direct sale and wholesale quotas for producers with mixed business, as the United Kingdom had requested: as a result, provided individual producers did not exceed the sum total of their direct sales and wholesale quota, no supplementary levy would be payable. Provisions were also made to permit member states to provide for part of a quota to be included within the national quota reserve where land transfers took place, or for outgoing tenants to retain part of the quota in the case of the expiry of short-term leases. In addition, for the 1984–85 quota year, member states were authorised to reallocate unused quota within and between regions, thus reducing or cancelling the liability to levy of individual producers.

Sheepmeat and Beef

4.11 The Agriculture Council on 26 March adopted a decision authorising exchanges of letters with Romania to prolong the arrangements for exports to Community markets considered to be sensitive.

4.12 The Council on 14–15 January agreed to open four Community import quotas in 1985, covering 29,800 tonnes of high quality cuts of beef; 50,000 tonnes of frozen beef and veal; 50,000 tonnes of beef for manufacturing and 190,000 head of young male cattle for fattening. The Agriculture Council on 11–12 June agreed to open two Community import quotas in 1985 covering 5,000 head of alpine cattle and 38,000 head of mountain cattle.

Animal Health and Meat Hygiene

4.13 The Agriculture Council on 11–12 June agreed that existing rules in relation to classical swine fever will continue to apply until 31 December

1987. This will provide continued safeguards against the disease which is causing problems in several continental member states.

4.14 The same Council adopted Directives amending Directives 64/433, 71/118 and 77/99 to permit alternatives to annual medical certificates for personnel handling fresh meat, poultrymeat and meat products respectively, provided that they offer equivalent guarantees. Alternatives will be subject to approval by the Standing Veterinary Committee.

4.15 The Council also adopted Directives to amend Directives 64/433 and 71/118 to harmonise the use of microbiological controls during the production of fresh red meat and fresh poultrymeat. The Directives require the Standing Veterinary Committee to draw up Codes of Practice covering arrangements for microbiological controls. The Directives will come into force for red meat production six months after the Codes of Practice have been agreed. For poultrymeat the date of coming into force will be set at the same time that decisions are taken following the review in 1986 of the immersion chilling derogations.

4.16 The Council also adopted a Directive amending Directive 77/99 on health problems affecting intra-Community trade in meat products which provides that the Commission, as from 1 January 1986, should assume responsibility for the inspection of third country meat products plants seeking approval to export to the Community.

Wine

4.17 The Agriculture Council on 26-27 February agreed on a series of measures to curb surplus wine production and reform of the common organisation of the market ahead of enlargement of the Community. The measures which take effect from 1 September 1985 include obligatory distillation of surplus wine at low prices, a restrictive price policy for as long as surpluses remain and incentives for permanent abandonment of vineyards.

4.18 As part of the Treaty of Accession with Spain, agreement was reached to allow the continued use of the name "British Sherry" for a period of 10 years, to be followed by a review taking account of the interests of all concerned.

Processed Fruit and Vegetables

4.19 The Agriculture Council on 11-12 March adopted a proposal to extend the Community's system of import licensing for particularly sensitive products to cover processed cherries. In June the Commission acted under its safeguard powers in Article 14(2) of Regulation 516/77 to introduce minimum import prices for frozen and other processed Morello cherries.

4.20 The Foreign Affairs Council on 18-19 June adopted a proposal to revise the production aid arrangements for tinned Martinique pineapple; these arrangements have been brought broadly into line with those for the rest of the processed fruit and vegetables sector but continue to reflect the special circumstances of production, processing and distribution.

European Agricultural Guidance and Guarantee Fund (EAGGF)

4.21 Under the Guarantee section of the EAGGF, United Kingdom receipts during the period were £489 million, with the main areas of benefit being payments for export refunds on cereals, milk products and beef, oilseed production aids, skimmed milk feed aids, butter subsidies, the storage of milk products, and beef and sheepmeat premiums. United Kingdom receipts from the Guidance section of the EAGGF amounted to £34 million during the period, with £32 million for direct (project type) measures and £2 million for non-marketing of milk.

Seeds

4.22 On 25 June two Decisions were adopted on the equivalence of field inspections of seed-producing crops, and of seed production, in 21 third countries. The effect of these Decisions is to allow specified seeds produced in those countries to be marketed within the European Community.

Fisheries

Internal Regime

4.23 The 1985 total allowable catches (TACs) and quotas for member states agreed at the 19 December 1984 Council on a provisional basis were extended until 31 December 1985. A further amendment to Regulation 1/85 dealt with the favourable conclusion of discussions concerning fishing in the Skaggerak and Kattegat. Under the common fisheries policy the European Community logbooks and Landing/Trans-shipment Declarations were introduced on 1 April 1985. Along with the European Community's Fisheries Inspectorate they will help ensure that the common fisheries policy is applied equally and fairly to all Community fishermen and that member states observe TACs and quotas.

External Regime

4.24 On the completion of the ratification procedures concerning the Treaty providing for the withdrawal of Greenland from the Community, the definitive fisheries agreement between the Community and Greenland entered into force. Greenland's withdrawal from the Community necessitated presentational amendments to the fisheries agreements with Norway and the Faroe Islands. The Community's agreement with the Seychelles was fully adopted.

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

Regional Policy

5.1 On 1 January 1985, a new Regulation (1787/84) came into force governing the operation of the European Regional Development Fund (ERDF). The main differences between the new Regulation and the old one (724/75 as amended) are that there is no longer a non-quota section of the Fund except insofar as existing programmes or proposals have still to be completed, fixed national quotas have been replaced by quota ranges within which grant allocations to member states can vary, and support may now, for an experimental period, be claimed for multi-annual programmes, as well as for individual projects.

5.2 Notification was received at the beginning of the year that three programmes under the non-quota section of the old Regulation have been formally approved. These programmes involve the expenditure of some £89 million of ERDF aid in the United Kingdom over the five years to 1989. The programmes are intended to generate new economic activity through direct and indirect aid to small firms in areas suffering from decline in the steel, shipbuilding and textile industries.

5.3 About £1,308 million is available for commitment to all member states in 1985 under the new ERDF Regulation. At the end of June no allocations had yet been made from the Fund, but the United Kingdom had sought aid of £249 million for individual industrial and infrastructure projects and £244 million for 10 national infrastructure programmes.

5.4 In December 1984, the Commission submitted to the Council four proposals for new non-quota regulations. Two of these would provide certain other member states with the kind of aid already available to the United Kingdom for shipbuilding and textile areas; the third would reinforce existing assistance for the border areas of Northern Ireland and the Republic of Ireland; and the fourth would provide aid for areas in the Community affected by the decline in the fishing industry, including Hull and Grimsby in the United Kingdom. These proposals have yet to be considered by the Council of Ministers.

Urban Renewal

5.5 An advance of £14 million on the second payment under the Regulation (1739/83) providing assistance for urban renewal in Belfast was received in February; the aid was in respect of infrastructure projects. On 21 February in Brussels, Mr Christopher Patten, Parliamentary Under-Secretary of State in the Northern Ireland Office, presented Commissioner Varfis with the Integrated Operations Document for the Belfast urban area; this describes the integrated operations zone and the co-ordinating machinery which has been established, up-dates the 1981 Document and the implementation of its proposals, and sets out proposals for further projects.

European Investment Bank (EIB): Loans

5.6 EIB foreign currency loans to the United Kingdom totalling £426

million were approved over the period. £349 million of this sum went to public sector bodies for energy, infrastructure and communications projects. The remaining £77 million of this sum went to private industry, mainly to finance productive investment by small and medium-sized enterprises in the Assisted Areas.

Internal Market

5.7 The 7 May Internal Market Council approved the new approach to reducing barriers to trade in the Community caused by differing national standards imposed for health and safety reasons. The main features are—

- (i) Article 100 Directives adopted under this new approach will no longer need to encompass all the technical details relating to the prevention of health and safety risks in a particular product area, but will instead define the product areas concerned, the nature of the risks involved, the essential safety requirements to be met and the broad means by which products can demonstrate their conformity with acceptable health and safety standards;
- (ii) The detailed definition of the precise specifications which goods and services must meet to ensure their safety will be delegated to national experts operating through the European Standards Bodies with appropriate safeguards to permit national governments to continue to discharge their responsibilities for ensuring adequate levels of public health and safety;
- (iii) Where there is no immediate prospect of such harmonised standards, reference will be made instead to suitable national standards.

5.8 The 10 June Internal Market Council agreed a Directive on the mutual recognition of qualifications for architects, assuring the right of establishment for members of the profession throughout the Community.

5.9 The European Council in Milan on 28–29 June considered the Commission's White Paper on proposals for action to complete the internal market by 1992 and instructed the Council of Ministers to set in hand a precise programme of action. High priority was accorded to the adoption of proposals to which the Government attaches importance, including: the removal of physical and technical barriers to the free movement of goods and the adoption of common or compatible standards for major new technologies to open up public purchasing; the creation of a free market in financial services and the transport sector; liberalisation of capital movements; and full freedom of establishment for the professions.

Industrial Policy, Information Technology Standards and Data Processing

5.10 The Industry Council met on 15 February and 26 March and agreed to set up a high level group of experts on advanced manufacturing technology (AMT) to work on AMT communication standards and other questions. Similar groups already set up on information technology and telecommunications have made useful progress on co-ordinating standards work.

5.11 The Industry Council on 3 June exchanged views on the work

undertaken under the Community telecommunications initiative, and reviewed progress which was outlined in a Commission communication. The Council discussed standards policy and a draft directive on the mutual acceptance of test data for the type approval of telecommunications terminal equipment; inter-governmental videoconferencing; and research and development in advanced communications technologies for Europe (RACE). The Industry Council also endorsed and referred to Agriculture Ministers a report from the experts group on biotechnology.

5.12 The high level group established to oversee the harmonisation of information technology standards met on 8 January, 1 March, 26 April and 10 June. The standardisation bodies (CEN/CENELEC) in conjunction with CEPT, who together are entrusted with the work, held a workshop in Brussels on 26 March at which the programme was discussed. The work is complex but agreement has been reached on an initial list of standards which will be used in the harmonisation procedure. Detailed discussions on the harmonisation programme, which will relate these baseline standards to products and services, are underway. The standards need to be supported by product testing facilities and the Commission has issued a call for proposals to establish European Conformance Testing Services for products claiming compliance with the newly emerging information technology standard. On data processing, contracts have been signed between the Commission, companies and academic institutions for collaborative projects in Ada (an advanced computing language) and in distributed databases.

Science and Technological Research

5.13 The Research Council met on 4 June. Prior to this Research, Ministers met informally on 22/23 April when they held an initial exchange of views on the planned revision of the Community's research and development framework programme and the Commission's proposal for a research and development programme in advanced communications technologies for Europe (RACE). Discussions continued on the proposal to establish a tritium handling laboratory at the Community's Joint Research Centre at Ispra, Italy, and the siting of the European synchrotron radiation facility (ESRF). An initiative for research in informatics applied to society was also discussed.

5.14 The June meeting continued the discussion on RACE. Broad agreement was reached on the terms for the definition phase of this programme at a total cost of 39 million ecu (£22 million). The Community's contribution, 14 million ecu (£8 million), will be funded from the financial envelope of 1,225 million ecu (£700 million) agreed for research and development programmes at the Research Council of 19 December 1984. (Final agreement was, however, deferred pending the lifting of reservations on the conclusions of the Council overall). The Council held a wide-ranging exchange of views on the desirability of wider European participation in large science facilities, such as the European synchrotron radiation facility proposed by France and Germany and the United Kingdom spallation neutron source, and ways of

achieving this. There was also further discussion of the terms on which member states might agree to the setting up of the tritium handling laboratory. The Council paved the way for agreement on all these issues, leaving details to be settled by the Committee of Permanent Representatives (COREPER) before final decisions are adopted. The two meetings of the Research Council also provided the opportunity for informal discussions on the French initiative, Eureka, which calls for increased European technological collaboration with the aim of enhancing European competitiveness.

5.15 The European Council on 29–30 March welcomed a Commission paper on strengthening the technological base and competitiveness of industry. A further Commission paper on strengthening technological co-operation in Europe was presented to the European Council on 28–29 June. The Council also gave its support to the Eureka project.

5.16 The Council Decision on the 1985 work programme for the European strategic research and development programme in information technology (ESPRIT) was formally adopted at the end of January. Project bids had to be submitted by the end of March and evaluation is currently underway.

Steel

5.17 On 26 March the Industry Council reaffirmed the member states' commitment to the 31 December 1985 deadline for phasing out all state subsidies to their steel industries. It agreed amendments to the Steel Aids Code which extended the deadline for the payment of operating aid from 31 December 1984 to 31 December 1985, and permitted member states to increase the total sums of aid beyond the levels previously fixed in June 1983. All aids remain subject to authorisation by the Commission under the conditions set out in the Aids Code, and are available for financial restructuring or for costs incurred because of capacity reductions.

Company and Securities Law

5.18 Negotiations continued on the EC Draft Bankruptcy Convention and on the proposed regulation to establish the European Economic Interest Grouping.

Insurance

5.19 Little progress was made on the proposed non-life insurance services directive. There were discussions on proposals for an insurance contract law directive and an EC/Swiss agreement on non-life insurance.

Patents and Trade Marks

5.20 Work has continued on the draft protocol to the Community Patent Convention on the settlement of litigation concerning the infringement and validity of Community patents. In the area of trade marks, the Council working group on intellectual property (trade marks) continued its consideration of the Commission proposal for a Council regulation on a Community trade mark and met several times for detailed technical discussion.

SECTION VI: ENVIRONMENT AND TRANSPORT

Environmental Issues

6.1 At the Environment Council meetings on 7 and 20 March and 27 June, the major item was car exhaust emissions. It was agreed on 20 March that the solution lay in treating the European car fleet in three size categories. The Council also laid down guidelines for those member states who wished to employ fiscal incentives to anticipate new Community standards for car exhaust emissions. The discussion on 27 June concentrated on the limit values and dates of implementation of these new standards, which the directive, when adopted, will allow, but will not require, member states to prescribe for the placing of vehicles on their domestic markets. It is hoped that for small and medium sized cars the levels set will be achievable by fuel efficient lean burn engines, equipped where necessary with an efficient oxidation catalyst. But in some cases it may be necessary to resort to three-way catalyst technology, which will be required on large cars to meet the standard.

6.2 The Council dealt with a wide range of other topics. Directives concerned with containers of liquids for human consumption and the assessment of the effects of certain projects on the environment were adopted. Agreement was also reached on a directive to impose further restrictions leading to a complete ban on the marketing and use of polychlorinated biphenyls (PCBs) and polychlorinated terphenyls (PCTs). Subject to a Parliamentary reserve by the United Kingdom progress was made on the articles of a directive to extend the application of the existing framework directive (76/464/EEC) concerning the discharge of dangerous substances to water, but disagreement continues over which further substances should be included. Subject to examination in detail, the Council accepted in principle a proposal for a directive to continue indefinitely from 1 October the present ban on the importation into the Community of skins and other products of harp and hooded seal pups. Other proposals discussed, without reaching agreement, were directives on the controls of wastes from the manufacture of titanium dioxide and the control of emissions from large combustion plants. The Council welcomed a United Kingdom initiative for the elimination of added lead from paint and the Commission undertook to bring forward proposals for consideration. The Commission made a comprehensive statement of the action being taken to integrate environmental considerations into the Community's agricultural policies.

Transport Issues

6.3 An informal meeting of Transport Ministers took place on 5 March in Taranto at the initiative of the Italian Presidency to discuss their proposal for a transport masterplan, designed as a framework for the development of the common transport policy. Opinions about the usefulness of adopting a masterplan were divided and there was no detailed discussion of the text of the Presidency proposal. A revised draft of the plan was discussed at a full Transport Council on 23 May but without any agreement being reached on a text.

6.4 On 22 May the European Court of Justice delivered its judgment in

the case brought by Parliament against the Council for failing to implement a common transport policy (see also paragraph 12.3). The Court found the Council in breach of the Treaty for failing to arrange for the free provision of services in international transport and for failing to establish the conditions necessary to allow transporters to operate in other member states. The judgment applies only to inland transport but the same arguments can also be applied to sea and air transport. There was a preliminary discussion of the judgment at the Transport Council on 23 May and more detailed consideration at the 24 June Council of how the judgment should be implemented. But the Council failed to reach definite conclusions.

6.5 Agreement was reached at the 23 May Council on a revised negotiating mandate for the Commission's negotiations with Austria in the transport sector. This was further refined at the 24 June Council. The 23 May Council was also given a progress report by the Presidency on work on aviation matters. The proposals for a medium term transport infrastructure programme were on the agenda for both the 23 May and 24 June Councils but on both occasions pressure of work prevented any detailed discussion.

6.6 The Transport Council on 24 June discussed the Commission's Memorandum on Shipping and agreed to intensify work in this sector with a view to reaching initial conclusions before the end of the year. It decided to give priority to measures to co-ordinate action to safeguard free access to cargoes, to implement freedom to provide services in sea transport, to deal with unfair pricing practices and to apply the competition rules of the Treaty to maritime transport. In addition the Council agreed the main principles of the revised drivers' hours regulations, and a resolution on aviation security.

SECTION VII: SOCIAL AFFAIRS

Employment

7.1 Employment Ministers met informally on 8 February and considered the position and prospects for progress of various draft proposals in the employment field. They discussed employment policy in the Community, in particular the social aspects of new technologies and training, and the role of the Community institutions in promoting understanding between the social partners. The Standing Employment Committee, a four-sided group consisting of Employment Ministers, the Commission, and representatives of trade union and employer organisations, met on 30 May to discuss employment and growth, together with the Italian Presidency's proposals for a European employment plan.

7.2 The Labour and Social Affairs Council on 13 June (see also paragraphs 7.5 and 7.8) agreed the decision on comparability of vocational training qualifications between member states of the Community. Conclusions on the Italian Presidency proposal for a programme of specific measures for employment were approved, and conclusions on implementing Directive 77/486/EEC on the education of migrant workers' children were agreed. Considerable progress was made on the draft directive on noise at work, and agreement in principle was reached on how the main outstanding issues should be resolved. The Council also discussed the three draft directives on parental leave, part-time work, and informing and consulting employees ("Vredeling"), and approved conclusions on the Commission communication on statistical machinery to establish the order of priority to be applied when granting European Social Fund assistance to regions. The Councils also took note of a letter from the Secretary of State for Employment concerning the application to small firms of Directive 76/207/EEC of 9 February 1976 on equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions.

European Social Fund

7.3 The European Social Fund Advisory Committee met in March to consider applications for assistance in 1985, and the Commission issued its decision on the bulk of applications on 19 June. Employment and training schemes in the United Kingdom have been allocated about £292 million, just under 24 per cent of all allocations. Of this amount, about £155 million is expected to go to the Manpower Services Commission, including £38 million for the Community Programme and £90 million for the Youth Training Scheme. About £45 million will go to Northern Ireland. A further allocation is expected later in the year, which would bring the United Kingdom total to over £300 million.

7.4 The Commission's guidelines for priorities for the Fund in 1986 were published in May. Regional priorities for aid from the Fund appear to be based on a statistical mechanism which has been considered by the Labour and Social Affairs Council. The mechanism, which depends on unemployment rates and gross domestic product per head, is intended to concentrate assistance on areas of greatest need.

Social Security

7.5 The Labour and Social Affairs Council on 13 June agreed two Commission proposals for amending and updating Regulations 1408/71 and 574/72 on the application of social security schemes to employed or self-employed persons and to members of their families moving within the Community. One proposal took account of the withdrawal of Greenland from the Community, continuing to protect the social security rights acquired by nationals of EC member states during the period when Greenland was part of the Community and retaining certain provisions for urgent medical treatment. The other proposal covered a number of mainly technical amendments to the Regulations necessitated by changes in member states' domestic legislation and affecting some improvements in the provisions of the Regulations where deficiencies in the existing arrangements had come to light. The Council also agreed a draft recommendation on social protection for volunteer development workers. The proposal recommended that cover for social security benefits and health care for a volunteer development worker and his family should not be prejudiced by his service abroad. The Council noted progress on the draft directive on the implementation of the principle of equal treatment for men and women in occupational social security schemes.

The Anti-Poverty Programme

7.6 Applications for financial assistance from the Community for action research projects under this programme had to be submitted to the Commission by 1 June 1985. The United Kingdom submitted 266 applications of which 39 were accorded a high priority by assessment panels in England, Wales and Northern Ireland. Scotland did not participate. The Commission's decisions are expected by September so that projects may start before the end of 1985.

Health

7.7 Health Ministers met informally on 3-4 May to continue discussion of health related problems common to all member states, in particular the development of health care costs and problems of drug abuse.

Community policy on migration

7.8 The Labour and Social Affairs Council on 13 June adopted a Resolution on Guidelines for a Community policy on migration. The Resolution sets out a Community policy for the integration of the migrant communities within member states.

Consumer Affairs

7.9 The Internal Market Council on 11 February and the Consumer Affairs Council on 21 May discussed draft directives on product liability and doorstep selling. Member states agreed to consider a compromise draft directive on product liability; progress on doorstep selling was prevented by Germany's reserve. At the earlier Council the Commission made a statement on its priorities in consumer policy while the later Council also considered a draft directive on consumer credit and agreed in principle the establishment of an EC-wide home accident surveillance scheme. Strong support was evident for the idea of a more streamlined directive on consumer credit.

Education

7.10 The Education Council on 3 June agreed a Resolution on promoting equality of opportunity for boys and girls in education and conclusions on improving the treatment of the European dimension in education. They also exchanged views on co-operation between higher education and industry to meet technological change, and, more generally, on promoting co-operation in higher education. The Ministers also met informally on 21 February and 6 May to review their programme and methods of work.

SECTION VIII: ENERGY

8.1 The Energy Council met on 15 March and 20 June. On 15 March Ministers agreed a resolution emphasising the importance of the rational use of energy in buildings and laying down guidelines for the implementation of programmes in this sector.

8.2 On 20 June agreement was reached to provide 360 million ecu (£205 million) to extend the Community's energy demonstration projects scheme for a further four years when the current scheme expires at the end of this year. Ministers also agreed to provide 140 million ecu (£80 million) over four years for projects to develop new technology in the hydrocarbon sector. This will replace the current open-ended scheme and will be available once the current round of bids ends this year. The texts of both regulations are being finalised in preparation for formal adoption.

8.3 In discussions on the growth in trade of refined oil products, Ministers agreed that additional supplies from the Middle East and North Africa could be absorbed into world markets, provided their impact was not concentrated on particular regions. The aim should be to maintain or create conditions where the additional imports would fall equitably in all markets.

8.4 The Commission introduced their Communication proposing new Community energy objectives for 1995. These will replace the present objectives for 1990 which seem certain to be achieved. The proposals will now be considered in detail, with a view to adoption of a resolution setting out the agreed objectives.

8.5 The Commission also announced its intention shortly to publish proposals for a new decision governing the payment of aids by member states to their coal industries; the current Decision expires at the end of this year.

Receipts from the Community

8.6 The United Kingdom received from the ECSC £2.3 million in grants for coal, research and development and £6.9 million for re-adaptation aid for miners. The European Regional Development Fund paid grants totalling £3.1 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 £15-18 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 research and development programmes.

SECTION IX: EXTERNAL RELATIONS, TRADE AND AID

External Trade

9.1 The Community agreed at the Foreign Affairs Council on 19 March to participate in a new General Agreement on Tariffs and Trade (GATT) round of multilateral trade negotiations subject only to the establishment of prior international consensus on objectives, participation and timing of such negotiations. The Community suggested that the new round should be inaugurated in Brussels and called the "Brussels Round". The Community also renewed its proposal for a senior level GATT meeting before the end of this summer with the objective of securing a broad consensus in favour of a new Round. The Community implemented on 1 January the fifth stage of (seven) annual tariff cuts agreed in the GATT Tokyo round of multilateral trade negotiations. It also implemented some reductions not due to take place until the sixth stage in January 1986 on 350 products of export interest to developing countries.

European Free Trade Association (EFTA)

9.2 The Commission formally presented its proposals for implementing the 1984 Luxembourg Joint Declaration of EC/EFTA Ministers on further co-operation between the two blocs. The removal of technical and administrative obstacles to trade is seen by the Commission as a first priority, in particular the simplification of administrative trade formalities and origin rules and the simplification and harmonisation of technical standards and procedures for the recognition of tests and certification. As a result there have been several joint meetings of groups of experts from the Community and EFTA countries to study possible ways of simplifying and improving the rules of origin. The President of the Commission and the Commissioner for External Relations were present at the EFTA Ministerial Meeting in Vienna on 10 May to mark the twenty-fifth anniversary of EFTA. Meetings were also held between the Community and Austria, Iceland and Finland on a wide range of trade issues under the terms of its free trade agreement with these countries.

Mediterranean Policy of the Enlarged Community

9.3 At the Foreign Affairs Council of 30 March, the Community reaffirmed its intention to try to maintain trade access to Community markets for its Mediterranean preferential partners following enlargement.

EC/United States of America

9.4 The Community continued to urge the United States Government to resist growing protectionist pressures stimulated by the high dollar and a mounting trade deficit. Towards the end of the period the risk of an across-the-board import surcharge appeared to recede but dangers remained in particular sectors. In steel, an agreement was concluded in January limiting Community exports of pipes and tubes to 7.6 per cent of the United States market. Additional attempts by the United States Government to restrict other Community steel exports have been resisted but negotiations will continue. The United Kingdom and other member states, in attempting to

bring about the removal of the unitary system of taxation, directed their efforts at California, the remaining major proponent of the system's use.

9.5 In the context of a trade dispute about United States citrus exports to the Community, the United States Government announced on 20 June its intention to impose greatly increased duties on imports of pasta from the Community. In response the Environment Council agreed on 27 June that if the United States Government implemented the increased duties the Community would increase its own duties on imported lemons and unshelled walnuts from the United States. The Community reaffirmed its intention to seek a negotiated settlement which obviated the need to implement increased duties. (Following consultations both the United States Government and the Community have temporarily suspended their proposed measures to allow time for further negotiations.)

EC/Canada

9.6 Following the latest extension by Canada of its quotas on footwear imports, the Community concluded a compensation arrangement whereby Canadian tariffs were reduced from 1 May on certain other products important to Community exporters. A similar problem concerning Community exports of beef and veal was resolved in May when Canada agreed to increase the Community's quotas.

EC/Japan

9.7 The Community continued to press Japan to take effective steps to make her market more accessible to exports of manufactured goods and to ensure a full international role for the yen. On 19 March the Foreign Affairs Council made special reference to Japan in the context of a declaration on the new GATT round. At the high level talks with Japan held in Tokyo between 3-5 June the Commission noted the outline package of market opening measures announced by Prime Minister Nakasone on 9 April but emphasised the need for the subsequent action programme to have clear and measurable results. The Trade Expansion Committee met in February and May; the Community has made clear its wish for more rapid progress. On 18 June the Foreign Affairs Council issued a statement expressing concern over Japan's failure to rectify the mounting trade imbalance, and called for a clearly verifiable commitment to a significant sustained increase in manufactured imports. The statement was endorsed by the European Council on 28-29 June.

EC/Pakistan

9.8 A new non-preferential co-operation agreement with Pakistan was initialled in Brussels on 17 January.

EC/China

9.9 A new non-preferential co-operation agreement with the People's Republic of China was signed in Brussels on 21 May.

EC/Yugoslavia

9.10 The Community held a Co-operation Council with Yugoslavia in Luxembourg on 18 June. The two sides reviewed the operation of the agree-

ment and discussed the possibilities for its adaptation to take account of enlargement.

EC/Council for Mutual Economic Assistance (CMEA)

9.11 Representing the Chairmanship of the CMEA, the Ambassador of Poland to the European Communities delivered on 14 June a letter from the Secretary of the CMEA to the President of the Commission, proposing a resumption of talks between the Community and CMEA, and the possible signature of a common declaration providing for the establishment of official relations. The European Council issued a statement on 29 June noting that an exploratory mandate had been given to the Commission, and that the results of those contacts should be awaited (see also paragraph 10.3).

Textiles

9.12 The Commission reached agreement with Portugal on management levels in 1985 under the voluntary restraint arrangement (VRA) for each member state. The Portuguese also agreed to stabilisation levels for 1985, for the United Kingdom market only, on two product categories not covered by the VRA. From 1 January to 30 June safeguard measures were maintained on imports from Turkey in three most sensitive product categories. The Community renewed VRAs with Morocco and Tunisia for a further period up to December 1986.

Steel

9.13 The Community renewed VRAs on steel imports from 15 countries: certain countries from EFTA and CMEA, Australia, Japan, South Africa, South Korea, Spain and Brazil. Imports from countries which have not concluded VRAs are subject again to a system of basic import reference prices.

Semiconductors

9.14 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.

International Tropical Timber Agreement

9.15 The International Tropical Timber Agreement entered into force on 1 April 1985 after sufficient ratifications had been received from producing and consuming countries.

Generalised Scheme of Preference (GSP)

9.16 The Community began an in-depth mid-term review of the GSP, as envisaged at the time of the last major revision of the scheme in 1980. As part of this exercise the Community will consider an extension of the present policy of concentrating the benefits on the poorer and less competitive developing countries.

Lomé Convention

9.17 At the end of February, the Council adopted a set of transitional measures for the period between the expiry of the Second Lomé Convention and entry into force of the Third Lomé Convention. The tenth meeting of the ACP-EEC Council of Ministers on 21 June, which was attended for the first time by Angola and Mozambique, was devoted mainly to the implementation of the provisions of the Third Lomé Convention, the consequences of enlargement of the Community and the situation in Southern Africa. Angola signed the Third Lomé Convention on 30 April.

Overseas Development

9.18 The Development Council on 23 May was dominated by discussion of the Community's response to the famine in Africa. Ministers adopted conclusions calling for a sustained effort to meet short-term needs and for longer term actions to prevent the occurrence of famine. The Council also discussed a study of the cost-effectiveness of food aid and held brief discussions on the co-ordination of member states' aid policies, the role of women in development and trade promotion.

9.19 Under the Community's regular programme, food aid worth £133 million was allocated; 58 aid projects in African, Caribbean and Pacific countries associated with the Community under the Second Lomé Convention worth a total of £107 million were approved; six projects worth £18 million were approved under the Community's aid programme to Non-Associated developing countries; under the Community's agreements with the Mediterranean partners nine projects to a value of £57 million were approved; and two projects worth £4 million were approved under pre-Accession aid to Portugal.

SECTION X: POLITICAL CO-OPERATION

Agreement on Political Co-operation

10.1 At the 28-29 June European Council the United Kingdom put forward a proposal for a binding agreement on political co-operation. This would include a formalisation of the commitment to consult, improved machinery including the establishment of a small permanent secretariat, and strengthened co-operation on security matters. These proposals together with others will be discussed among the Ten in the coming months. (The Foreign Affairs Council on 22 July instructed the Political Committee to draw up a draft Treaty on foreign policy and security on the basis of the United Kingdom text and others.)

East/West Relations

10.2 The Ten continued to consult closely on East/West matters. They welcomed the resumption on 12 March in Geneva of arms control talks between the United States of America and the Soviet Union. They affirmed their support for such negotiations to prevent arms races on earth and in space, to limit and reduce nuclear arms and to strengthen strategic stability.

10.3 The European Council statement of 29 June on EC/CMEA (see paragraph 9.11) also noted that the Heads of State or Governments had discussed the interest in the political role of the Ten recently demonstrated in a statement by the Secretary General of the Communist Party of the Soviet Union.

Conference on Security and Co-operation in Europe

10.4 The Ten co-operated closely at the Ottawa Conference on Security and Co-operation in Europe (CSCE) experts meeting on human rights and fundamental freedoms. They made clear their regret that this meeting made no progress on the question of strengthening the provisions on human rights and fundamental freedoms adopted by the 35 states which signed the Helsinki Final Act. They reaffirmed the importance they attached to the Helsinki process and stressed the need for all the elements of the Final Act (security, economic and scientific co-operation, co-operation in the humanitarian field and others) to be applied with equal force.

Terrorism

10.5 Co-operation among the Ten to deal with the problem of terrorism continued both at official level and at meetings of Ministers of Interior and of Ministers of Justice. A number of British ideas on how this co-operation might be strengthened were discussed at the European Council on 28-29 June.

Central America

10.6 The Ten remained in close contact on the problems on Central America. They confirmed their support for the Contadora¹ peace process,

¹ The Contadora groups brings together Colombia, Venezuela, Panama and Mexico in work to solve Central American problems.

stressing that the problems of Central America can only be solved by a political solution springing from the region itself. They maintained their dialogue with the region by sending a mission of representatives of the Troika (the present preceding and succeeding Presidency) in April/May. Dates are also under discussion for a meeting at a Ministerial level to follow up the San Jose meeting in September 1984.

Arab/Israel and Lebanon

10.7 The Ten maintained their common approach to the problems of the Middle East. On 12 February they welcomed Israel's decision to withdraw its troops from Lebanon in accordance with the Resolutions of the United Nations Security Council. They made clear their wish that leaders of the different communities in Lebanon should work to restore stability. They emphasised their support for the role of the United Nations Secretary General in safeguarding the position of the initiatives of both the King of Jordan and the President of Egypt, and undertook to encourage these moves and to facilitate dialogue between the parties concerned. They reaffirmed the rights of all states in the region, including Israel, to existence and security and the right of the Palestinian people to self-determination.

Iran/Iraq

10.8 The Ten made clear their concern about the escalation of the Iran/Iraq conflict. They called upon the belligerents to comply with the commitments made in 1984 to refrain from bombing civilian targets. They also expressed concern at the treatment of prisoners of war and condemned totally the use of chemical weapons.

Southern Africa

10.9 The Ten consulted closely on the problem of South Africa. On 29 April they made clear their concern at the deterioration in the situation there. They deplored the increase in violence in the region. They emphasised that in their view the measures for relaxation of the system of apartheid taken by the South African Government did not match the scale of the problem, and that only the abolition of the system of apartheid could ensure the peaceful evolution of South African society. On 19 June the Ten condemned the South African incursion into Botswana.

Namibia

10.10 The Ten deplored the delays in implementing the United Nations plan and reaffirmed their commitment to the application without preconditions of Security Council Resolution 435. They made clear their view that the announcement by the South African authorities concerning the setting up of an interim government was null and void.

United Nations Educational, Scientific and Cultural Organisation (UNESCO)

10.11 The Ten remained in close consultation on how best to reform UNESCO. They reaffirmed their commitment to the principles and purposes of the organisation as set out in its constitution. They stressed the necessity

for effective reforms this year both in administrative practice and in the programme and budget.

Judicial Co-operation

10.12 In the field of judicial co-operation the United Kingdom participated in a series of meetings of an expert working group which examined the scope for closer uniformity of practice in criminal and civil law. In regard to criminal law, the group reviewed the operation of several Council of Europe conventions with a view to developing proposals for their more effective functioning among the Ten (on the model of the Dublin agreement of 1979 concerning the application of the European Convention on the Suppression of Terrorism among the member states of the European Communities).

10.13 In regard to civil law, the group examined the prospects for early ratification of the European Convention on the recognition and enforcement of custody decisions and of the Hague Convention on the civil aspects of international child abduction. The group also discussed means of co-operation between authorities entrusted with the operation of these Conventions and began preparation of a draft convention to provide for the abolition of legislation of public documents within the Community.

SECTION XI: THE EUROPEAN PARLIAMENT

11.1 The European Parliament held six plenary sessions, each lasting a week, in Strasbourg. In January, the Parliament passed a resolution expressing confidence in the new Commission which took over at the beginning of the year under the Presidency of M Jacques Delors. At its April session, the Parliament adopted a resolution calling for an inter-governmental conference to draw up a Treaty on European Union. In June it approved the Community's 1985 Budget.

11.2 The following members of the Government visited Strasbourg during European Parliament sessions: Lord Denham, Government Chief Whip in the House of Lords, in January; Mr Peter Bottomley, Parliamentary Under-Secretary of State at the Department of Employment and Mr Paul Channon, Minister of State at the Department of Trade and Industry in February; Mr John Selwyn Gummer, Paymaster General, Mr David Trippier, Parliamentary Under-Secretary of State at the Department of Trade and Industry and Mr Malcolm Rifkind, Minister of State at the Foreign and Commonwealth Office, in April; and Mr John Wakeham, Parliamentary Secretary to the Treasury (Chief Whip), in June.

SECTION XII: EUROPEAN COURT OF JUSTICE

Membership

12.1 On 19 June Mr Ole Due, Mr René Joliet, Mr Constantinos Kakouris and Mr Thomas Francis O'Higgins were re-appointed as judges of the European Court of Justice (ECJ) from 7 October 1985 until 6 October 1991. Sir Gordon Slynn and Mr Carl Otto Lenz were also re-appointed as Advocates-General of the Court for the same period.

Cases

12.2 References from United Kingdom courts or tribunals reached the ECJ in two cases. Case 121/85 (*Conegate Ltd v Commissioners of Customs and Excise*) concerned the compatibility with Community law of the prohibition on importation of objects which are classed indecent or obscene. Case 150/85 (*Mrs J Drake v Chief Adjudication Officer*) concerned whether invalid care allowance (payable under the Social Security Act 1975) comes within the scope of the Council Directive on the progressive implementation of the principle of equal treatment for men and women in matters of social security (79/7/EEC). The United Kingdom submitted observations in four cases referred under Article 177 of the Treaty. The Commission brought one action against the United Kingdom (case 93/85) which concerned the Commission's claim for interest in respect of the delayed payment of own resources. The United Kingdom brought one action against the Commission (case 84/85). This involved the Commission's decision to reduce European Social Fund grants in respect of employment measures for part-time work. The United Kingdom intervened in two other cases brought by the Commission against member states (case 40/85 on state aids to a Belgian sanitaryware manufacturer and case 70/85 on preferential gas prices for the Dutch horticultural industry).

12.3 The Court gave judgments of particular significance or interest for the United Kingdom on the following cases. In case 13/83 *Parliament v Council* the European Parliament brought an action against the Council under Article 175 claiming that the Council had failed to establish a common transport policy. The judgment confirmed the Parliament's right to bring proceedings against another Community institution under this Article. The Council argued that the Article 175 procedure was only available where there was a legal obligation to establish a specific legal act and did not extend to the institution of a system of measures covering the essential areas of a common policy. The Court ruled that the Council could only be in breach of Article 175 by omitting to take measures whose scope could be sufficiently defined to be individualised and to be the object of action under Article 176. While a common transport policy presupposed a set of choices, the free circulation of services in the sphere of transport constituted a sufficiently specific obligation for its implementation to be required of the Council.

12.4 In Case 207/83 *Commission v United Kingdom* the Commission claimed that the Trade Description (Origin Marking) (Miscellaneous Goods) Order 1981 which required retailers in four sectors to mark their goods by origin was contrary to Article 30. The United Kingdom argued that the Order did not have the effect of hindering trade and was justified as protecting

consumers. The Court found that the Order was liable adversely to affect imported products because in practice these would have to be specially marked for the United Kingdom market. In addition origin marking enabled consumers to assert any prejudices they might have against foreign products. The measure was therefore equivalent to a quantitative restriction on imports, and voluntary origin marking could adequately satisfy requirements of consumer protection.

12.5 Case 293/83 *Gravier v Ville de Liege* was a reference from a Belgian Court. Mlle Gravier is a Frenchwoman who went to Belgium to study strip cartooning. She complained that she was obliged to pay a registration fee which her Belgian counterparts did not have to pay. The European Court held that Community nationals were entitled to access to courses in vocational training on equal terms and that the registration fee amounted to discrimination on grounds of nationality contrary to Article 7 of the EEC Treaty. The Court defined "vocational training" as any form of education which prepares a student for a qualification for an occupation, trade or specific employment, or which confers the particular competence to pursue such an occupation, trade or employment.

SECTION XIII: PARLIAMENT

13.1 Parliament was in session for 21 weeks. The House of Commons Select Committee on European Legislation considered 343 documents and recommended 48 of these for further consideration by the House. Nine debates were held on the Floor of the House covering a total of 32 documents. Two debates were held in Standing Committee covering six documents.

13.2 The House of Lords Select Committee on the European Communities considered 333 documents and recommended 59 for further scrutiny. Five reports covering 26 documents were presented to the House for debate and five reports covering eight documents were presented to the House for information. Three debates on the Committee's reports covering 17 documents were held in the House of Lords.

ANNEX A

MEETINGS OF THE EUROPEAN COUNCIL

<i>Date</i>	<i>Location</i>	<i>UK Ministers attending</i>
29-30 March	Brussels	Rt Hon Margaret Thatcher, MP Prime Minister Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs
28-29 June	Milan	Rt Hon 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>
14-15 January	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
28-29 January	Foreign Affairs	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon Paul Channon, MP Minister for Trade
11 February	Internal Market	Rt Hon Paul Channon, MP Minister for Trade
11 February	Economic and Finance	Rt Hon Nigel Lawson, MP Chancellor of the Exchequer
18-19 February	Foreign Affairs	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs Malcolm Rifkind, Esq, MP Minister of State, Foreign and Commonwealth Office Rt Hon Paul Channon, MP Minister for Trade

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
25-26 February	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
7 and 20 March	Environment	Hon William Waldegrave, MP Parliamentary Under-Secretary of State, Department of the Environment John Butcher, Esq, MP Parliamentary Under-Secretary of State, Department of Trade and Industry (7 March only)
11 March	Economic and Finance	Ian Stewart, Esq, RD, MP Economic Secretary to the Treasury
11-13 March	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
15 March	Energy	Alastair Goodlad, Esq, MP Parliamentary Under-Secretary of State, Department of Energy
17-21 March	Foreign Affairs	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs Malcolm Rifkind, Esq, MP Minister of State, Foreign and Commonwealth Office
25-27 March	Agriculture	Rt Hon Michael Jopling, MP Minister for Agriculture, Fisheries and Food John MacGregor, Esq, MP Minister of State, Ministry of Agriculture, Fisheries and Food
26 March	Industry	Norman Lamont, Esq, MP Minister of State, Department of Trade and Industry

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
28 March	Foreign Affairs (in the margins of the European Council)	Malcolm Rifkind, Esq, MP Minister of State, Foreign and Commonwealth Office
1-2 April	Agriculture	Rt Hon Michael Jopling, MP Minister of Agriculture, Fisheries and Food John MacGregor, Esq, MP Minister of State, Minister of Agriculture, Fisheries and Food
22-23 April	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
23-24 April	Budget	Ian Stewart, Esq, RD, MP Economic Secretary to the Treasury
29-30 April	Foreign Affairs	Sir Michael Butler, GCMG, United Kingdom Permanent Representative to the European Communities, represented the UK on behalf of Ministers
2-5 May	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
7 May	Internal Market	Rt Hon Paul Channon MP Minister for Trade
13-16 May	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
20 May	Foreign Affairs	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs Malcolm Rifkind, Esq, MP Minister of State, Foreign and Commonwealth Office

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
21 May	Consumer Affairs	Lord Lucas of Chilworth Parliamentary Under-Secretary of State, Department of Trade and Industry
22 May	Budget	Ian Stewart, Esq, RD, MP Economic Secretary to the Treasury
23 May	Transport	Rt Hon Nicholas Ridley, MP Secretary of State for Transport
23 May	Development	Rt Hon Timothy Raison, MP Minister for Overseas Development
3 June	Education	Rt Hon Sir Keith Joseph, Bt, MP Secretary of State for Education and Science
3 June	Industry	John Butcher, Esq, MP Parliamentary Under-Secretary of State, Department of Trade and Industry
10 June	Internal Market	Rt Hon Paul Channon, MP Minister for Trade
11 June	Economic and Finance	Rt Hon Peter Rees, QC, MP Chief Secretary to the Treasury
13 June	Labour and Social Affairs	Rt Hon Tom King, MP Secretary of State for Employment
18-19 June	Foreign Affairs	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs
20 June	Energy	Rt Hon Peter Walker, MP Secretary of State for Energy Alastair Goodlad, Esq, MP Parliamentary Under-Secretary of State, Department of Energy
24 June	Transport	Rt Hon Nicholas Ridley, MP Secretary of State for Transport

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
2 June	Foreign Affairs	Sir Michael Butler, GCMG United Kingdom Permanent Representative to the European Communities, represented the UK on behalf of Ministers
27 June	Environment	Hon Willian Waldegrave, MP Parliamentary Under-Secretary of State for the Environment John Butcher, Esq, MP Parliamentary Under-Secretary of State for Trade and Industry

OTHER MEETINGS

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
8 February	Informal Meeting of Employment Ministers	Rt Hon Tom King, MP Secretary of State for Employment
15 February	Informal Meeting of Industry Ministers	Norman Lamont, Esq, MP Minister of State, Department of Trade and Industry
5 March	Informal Meeting of Transport Ministers	Rt Hon Nicholas Ridley, MP Secretary of State for Transport
11-12 April	OECD Ministers Meeting	Rt Hon Paul Channon, MP Minister for Trade
13-14 April	Informal Meeting of Economic and Finance Ministers	Rt Hon Nigel Lawson, MP Chancellor of the Exchequer
23-24 April	Informal Meeting of Research Ministers	Geoffrey Pattie, Esq, MP Minister of State, Department of Trade and Industry
3-4 May	Informal Meeting of Health Ministers	Dr R Oliver Deputy Chief Medical Officer, represented the UK on behalf of Ministers

<i>Date</i>	<i>Session</i>	<i>UK Ministers attending</i>
6 May	Informal Meeting of Education Ministers	Allan Stewart, Esq, MP Parliamentary Under-Secretary of State, Scottish Office
27-29 May	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
30 May	Standing Employment Committee	Peter Bottomley, Esq, MP Parliamentary Under-Secretary of State, Department of Employment
11-12 June	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

ANNEX B

MAJOR PROPOSALS ADOPTED

Economic, Monetary and Budgetary

Council Regulation 1131/85—amending Regulation 682/81 adjusting the Community loan mechanism designed to support the balances of payments of member states.

Council Decision 85/257—on the Community's system of own resources.

Customs and Indirect Taxation

Council Decision 85/187—accepting, on behalf of the Community, the recommendation of the Customs Co-operation Council of 15 June 1983 concerning action against customs fraud relating to containers.

Council Decision 85/204—accepting on behalf of the Community, three Annexes to the international convention on the simplification and harmonisation of customs procedures.

Council Decision 85/204—concerning the co-ordination of the activities of the member states and the Commission related to the implementation of a long-term programme for the use of telematics for Community information systems concerned with imports/exports and the management and financial control of agricultural market organisations.

Council Regulation 1055/85—amending Regulation 1224/80 on the valuation of goods for customs purposes.

Agriculture and Fisheries

Council Regulations 590/85 and 1305/85—amending Regulation 857/84 laying down general rules for the application of the levy referred to in Article 5c of Regulation 804/68 in the milk and milk products sector (the milk supplementary levy).

Council Regulation 746/85—amending Annex IV to Regulation 516/77 on the common organisation of the market in products processed from fruit and vegetables.

Council Regulation 775/85—amending Regulation 337/79 on the common organisation of the market in wine.

Council Regulation 777/85—on the granting, for the 1985–86 to 1989–90 wine years, of permanent abandonment premia in respect of areas under vines.

Council Regulation 797/85—improving the efficiency of agricultural structures.

Council Regulation 1298/85—amending Regulation 804/68 on the common organisation of the market in the milk and milk products sector.

Council Regulation 1699/85—amending Regulation 525/77 establishing a system of production aid for tinned pineapple.

Council Regulation 1312/85—amending Regulation 1837/80 on the common organisation of the market in sheepmeat and goatmeat.

Council Regulation 1313/85—fixing, for the 1985 and 1986 marketing years, the basic and intervention prices for sheepmeat.

Council Decision 85/211—concerning the conclusion of an exchange of letters extending the arrangement relating to clause 2 of the Agreement between the European Economic Community and the Socialist Republic of Romania on trade in sheepmeat and goatmeat.

Commission Regulation 1626/85—on protective measures applicable to imports of certain Morello cherries.

Council Directive 85/325—amending Directive 64/433 EEC on health problems affecting intra-Community trade in fresh meat to permit alternatives to annual medical certificates for staff.

Council Directive 85/326—amending Directive 71/118 EEC on health problems affecting intra-Community trade in fresh poultrymeat to permit alternatives to annual medical certificates for staff.

Council Directive 85/327—amending Directive 77/79 EEC on health problems affecting intra-Community trade in meat products to permit alternatives to annual medical certificates for staff.

Council Directive 85/323—amending Directive 64/433 EEC on health problems affecting intra-Community trade in fresh red meat to introduce microbiological controls.

Council Directive 85/324—amending Directive 71/118 EEC on health problems affecting trade in fresh poultrymeat to introduce microbiological controls.

Council Directive 85/328—amending Directive 77/99 EEC on health problems affecting intra-Community trade in meat products to introduce Commission inspections of third country plants.

Council Decision 85/355—on the equivalence of field inspections carried out in third countries on seed-producing crops.

Council Decision 85/356—on the equivalence of seed produced in third countries.

Council Regulation 97/85—extending the validity of Regulation 1/85 relating to total allowable catches and quotas for 1985 until 31 December 1985.

Council Regulation 223/85—concluding agreement on fisheries between the European Economic Community and the Government of Denmark and the Local Government of Greenland.

Council Regulation 800/85—amending Regulation 1/85 for the second time with regard to certain fish stocks in the Skaggeiak and Kattegat.

Council Regulation 801/85—amending Regulation 4/85 concerning certain measures for the conservation and management of fishery resources applicable to vessels flying the flag of Norway.

Council Regulation 803/85—amending Regulation 5/85 concerning certain measures for the conservation and management of fishery resources applicable to vessels registered in the Faroes.

Council Regulation 1554/85—on the conclusion of an agreement on fishing off Seychelles.

Internal Market

Council Resolution of 7 May 1985—on a new approach to technical harmonisation of standards.

Environment

Council Directive 85/203—on air quality standards for nitrogen dioxide.

Council Decision 85/199—adopting a research and development programme on the management and storage of radioactive waste (1985 to 1989).

Council Directive 85/210—on the approximation of the laws of member states concerning the lead content of petrol.

Council Directive 85/339—on containers of liquids for human consumption.

Council Directive 85/337—on the assessment of the effects of certain public and private projects on the environment.

Council Decision 85/338—on the adoption of a Commission work programme concerning an experimental project for gathering, co-ordinating and ensuring the consistency of information on the state of the environment and natural resources in the Community.

Social Affairs

Council Recommendation 85/308—on social security for volunteer development workers.

Council Regulation 1660/85—amending Regulation 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and Regulation 574/72 laying down the procedure for implementing Regulation 1408/71.

Council Regulation 1661/85—laying down the technical adaptations to the Community rules on social security for migrant workers with regard to Greenland.

Education

Council Resolution of 3 June 1985—on equality of opportunity for boys and girls in education.

Energy

Council Resolution of 15 January 1985—on the improvement of energy saving programmes in the member states.

Council Resolution of 26 March 1985—on the rational use of energy in buildings.

ANNEX C

MAJOR MINISTERIAL SPEECHES ON COMMUNITY TOPICS

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
31 January	Rt Hon The Baroness Young on behalf of Malcolm Rifkind, Esq, MP Minister of State, Foreign and Commonwealth Office	Maison De L'Europe, Paris
31 January	Rt Hon Paul Channon, MP Minister for Trade	Speech to CBI on Greece, London
6 February	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs	Policy Studies Institute, London
8 February	Rt Hon Paul Channon, MP Minister for Trade	Ministerial Address to the European Business Centre, London
12 February	Rt Hon Paul Channon, MP Minister for Trade	Address to Kangaroo Group of the European Parliament
20 February	Rt Hon Michael Jopling, MP Minister of Agriculture, Fisheries and Food	AGRA—Europe's "Outlook 85" Conference
25 February	Peter Bottomley, Esq, MP Parliamentary Under-Secretary of State, Department of Employment	Glasgow Chamber of Commerce
7 March	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs	Centre for Instruction and Study of the European Community, Milan
8 March	Rt Hon Lord Gray of Contin Minister of State, Scottish Office	AGM of Scottish National Farmers' Union
21 March	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs	French Institute of International Relations, Paris
23 April	Rt Hon Paul Channon, MP Minister for Trade	CBI Conference on Spain and Portugal, London

<i>Date</i>	<i>Speaker</i>	<i>Occasion</i>
9 May	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs	Scotland in Europe and The Institute of Directors, Scottish Division, Edinburgh
20 May	Rt Hon Peter Rees, QC, MP Chief Secretary to the Treasury	London Europe Society
30 May	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs	The Institute of Directors, Kangaroo Club, London
7 June	Rt Hon Paul Channon, MP Minister for Trade	AMCHAM Conference, Leeds Castle, Kent
17 June	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs	Netherlands Institut for International Relations, The Hague
24 June	Peter Bottomley, Esq, MP Parliamentary Under-Secretary of State, Department of Employment	Conference on working time (CBI)
19 June	Rt Hon Sir Geoffrey Howe, QC, MP Secretary of State for Foreign and Commonwealth Affairs	The Annual Diplomatic Banquet London
25 June	Rt Hon Douglas Hurd, MP Secretary of State for Northern Ireland	The Northern Ireland Council of the European Movement, Belfast

ANNEX D

MAJOR TREATIES AND AGREEMENTS SIGNED BY THE COMMUNITY

Vienna Convention for the protection of the ozone layer
Signed at Vienna on 22 March 1985

Trade and Economic Co-operation Agreement between the European
Community and the People's Republic of China
Signed at Brussels on 21 May 1985

The International Convention on the harmonised commodity description
and coding system
Signed at Brussels on 10 June 1985

Treaty of Accession of Spain and Portugal to the European Communities
Signed at Madrid and Lisbon on 12 June 1985

ANNEX E

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 over 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 the first half of 1985 United Kingdom total trade (exports plus imports) with other countries of the European Community amounted to some £38 billion compared with £31 billion in the same period of last year. The ratio of exports to imports was 97 per cent. This is higher than in recent years and although lower than in the peak years of 1980 and 1981, remains markedly higher than through the seventies.

By Commodity

In the first half of 1985 increased exports of oil, which now account for a third of our exports to other member states, led to a record half-year surplus of £5 billion on our trade in fuels with these countries. This surplus was more than offset by deficits on such other sectors of the trade account as manufactures and food, beverages and tobacco so that on all visible trade there was a deficit of £0.5 billion compared with £1.3 billion in the first half of 1984.

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY

£ 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	116
1972	2.8	3.4	-0.6	83	0.2	0.7	-0.5	27	0.2	0.1	+0.0	118
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	24.2	-1.2	95	1.9	3.5	-1.6	53	0.7	0.8	-0.1	88
1983	26.5	28.9	-2.4	92	2.0	4.0	-2.0	49	0.9	1.0	-0.1	89
1984	31.5	33.9	-2.5	93	2.1	4.4	-2.2	49	1.1	1.3	-0.2	88
1984												
Jan-Jun(1)	15.1	16.4	-1.3	92	1.1	2.1	-1.0	51	0.6	0.6	-0.1	92
1985												
Jan-Jun(1)	18.7	19.2	-0.5	98	1.1	2.2	-1.1	49	0.6	0.7	-0.1	92

(1) Not seasonally adjusted.

Source: Department of Trade and Industry.

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY—continued

£ 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	74	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	182	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	420	13.7	18.1	-4.4	76
1983	8.1	1.5	+6.6	551	15.0	22.1	-7.1	68
1984	9.8	2.3	+7.5	424	17.9	25.6	-7.7	70
1984 Jan-Jun(1)	4.7	0.9	+3.7	494	8.6	12.6	-4.0	68
1985 Jan-Jun(1)	6.4	1.4	+5.0	446	10.3	14.6	-4.2	71

(1) Not seasonally adjusted.

Source: Department of Trade and Industry.