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Dear Sir

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DEVELOPMENTS IN THE EUROPEAN COMMUNITY: JULY-DECEMBER 1985

We propose to publish in early March a White Paper on Developments in the European Community covering the period July-December 1985. The report is purely factual and one of a series normally produced every six months.

I should be grateful if you, and those to whom I am copying this letter, would kindly confirm that there is no objection to publication.

Yours sincerely

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DEVELOPMENTS IN THE EUROPEAN COMMUNITY
JULY TO DECEMBER 1985

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Note: Save where stated otherwise European currency units (ecu) have been converted at the 2 December 1985 market rate of 1.7 ecu = £1.

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SECTION I: INTRODUCTION

1.1 This White Paper covers the Luxembourg Presidency of the Council of Ministers from 1 July to 31 December 1985. The major preoccupation of the Community was the Inter-Governmental Conference on institutional reform called for by the European Council in Milan in June. The period also saw the finalisation of arrangements leading to the accession of Spain and Portugal. The European Communities (Spanish and Portuguese Accession) Bill received Royal Assent on 19 December, enabling the United Kingdom to ratify the Spanish and Portuguese Treaty and Act of Accession on 20 December. The two countries become full members of the European Communities on 1 January 1986.

1.2 The formal decision to convene an Inter-Governmental Conference was taken by Foreign Ministers at their meeting on 22 July. A series of Ministerial meetings and official level meetings were held leading up to the European Council on 2-3 December. The Government made clear that they would judge proposals for Treaty amendment by whether they contributed to the achievement of the Community's and the United Kingdom's objectives, particularly completion of the common market, and would bring about real improvements in decision taking. The European Council on 2/3 December reached agreement, subject to general reserves by Denmark and Italy, on measures to complete the common market by 1992; steps to bring the EC Treaty up-to-date by new articles on technology, environment and the regional fund; procedural changes to enable the European Parliament to play a more constructive role; and separate treaty provisions on co-operation in foreign policy on the basis of a draft originally presented by the United Kingdom.

1.3 The Government believe the changes agreed represent worthwhile improvements in the operation of the Community. The agreements to complete the common market by 1992, to speed up decision-taking, to strengthen our co-operation in foreign policy, and to ensure that our

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efforts in research and development are geared to the exploitation of a growing market will help to achieve objectives which we have consistently pursued, enabling the United Kingdom to realise more fully the benefits of membership of the Community.

1.4 Following the adoption by the Council on 7 May of the new Own Resources Decision, the United Kingdom introduced on 14 June the European Communities (Finance) Bill seeking Parliament's approval of the measure. This received Royal Assent on 30 October, and the United Kingdom formally notified the Secretary-General of the Council of the completion of our procedures for approval on 4 December.

1.5 The United Kingdom received an abatement of £604,634,000 in respect of 1984. This abatement of 1000 million ecus was the last of the ad hoc arrangements before the more favourable Fontainebleau system of abatements entered into force. Of this amount 270 million ecus (£160 million) was received by the end of 1985 and the rest in the first few days of January 1986.

1.6 The Community's 1986 budget provides for an abatement for the United Kingdom of 1400 million ecus (£824 million) in respect of 1985 as a result of the Fontainebleau agreement.

1.7 Following the failure of the Council and European Parliament to agree on the 1986 Budget at a special Budget Council in Strasbourg on 11/12 December, the European Parliament voted for a budget including 629 million ecu (£391 million) in payment appropriations and some 473 million ecu (£294 million) in commitment appropriations over and above the Council's revised draft budget. The 1986 budget was signed by the President of the European Parliament on 18 December. The Council decided on 20 December to begin proceedings before the European Court against the budget adopted by the European Parliament.

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1.8 In July the Commission issued a Green Paper "Perspectives for the Common Agricultural Policy" (CAP). The paper addressed the issues of surplus production and its budgetary cost; the trade aspects of the CAP; and social and environmental issues including the need to integrate agriculture within a viable rural economy. The key elements of the Commission's approach in the paper were sustained action on prices as the main means of bringing about a better balance between supply and demand in the market; various measures to tackle the problems of the cereals sector; the possibility of direct income support for producers most affected by a restrictive price policy; alternative production and uses; and various measures to benefit the environment. A further memorandum in December recorded the Commission's conclusions in the light of the views expressed on the Green Paper. It covered similar ground but also suggested that new budgetary resources would be needed to finance the measures envisaged before savings were made. The United Kingdom has repeatedly stressed the importance which it attaches to the contribution of price policy to resolving the problems of surplus and the need to observe the agreed financial limits.

1.9 The Commission issued specific memoranda in November and December with ideas for changes in the cereals and beef regimes as well as proposals for a Community milk outgoers scheme. For cereals the central feature was the suggested introduction of a co-responsibility levy, together with possible restrictions on the availability of intervention. For beef the Commission suggested a much reduced role for intervention and the rationalising of the various premium schemes. The milk proposals envisaged the purchase of some 3 per cent of the Community's quota which would then be cancelled to reduce the level of surplus production. These memoranda formed the basis of a discussion in the Agriculture Council on 19 December on the future operation of the CAP. The basic problems as outlined in the Commission's Green Paper were generally accepted, but a wide divergence of opinion remained on how best to deal with them. The Commission indicated that its conclusions would underlie its CAP price proposals for 1986/87.

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1.10 The revised Common Fisheries Policy (CFP) agreed in January 1983 has continued to function smoothly. The necessary detailed arrangements have been made in accordance with the Act of Accession to take account of the accession of Spain and Portugal to the Community. Total allowable catches (TACs) and quotas have, for the second year running, been settled before they are due to come into effect and they now include catch limitations applying to Spanish and Portuguese vessels. The major 1986 fisheries arrangements with third countries, including Norway, have also been concluded. The United Kingdom successfully defeated a proposal to increase the permitted whitefish by-catches when fishing for Norway pout. Significant amendments to the Community control measures as well as certain additional measures to ensure compliance with the post-enlargement regime were agreed.

1.11 On the Internal Market the Council on 12 December endorsed a rolling Presidency action programme for 1986. This was originally proposed by the United Kingdom, in close consultation with the Netherlands, so that significant action to open up the internal market can be carried forward during our Presidencies. This is the first time that such an agreed plan covering more than one Presidency has been worked out jointly.

1.12 On steel the Industry Council on 29 October agreed a new, restrictive regime on state aids which will ensure that United Kingdom steel firms in both the public and private sectors will not face the threat of extensive subsidies to continental competitors. A new production quota system was also agreed which combines a welcome return to a free market with increased quotas for United Kingdom firms.

1.13 In the area of research and development agreement in principle was reached at the Research Council on 10 December on two major programmes of research in the environment and materials sectors. The European Council on 2-3 December agreed new Treaty articles on Research and Technological

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Development. These provide for an overall Framework Programme governing the Community's scientific and technological activities. The Framework will define Community scientific and technological objectives, establish priorities, set the main lines of envisaged activity, fix an appropriate overall level of funding and determine a financial breakdown between the respective activities. The EUREKA programme, which goes wider than the Community and for which the United Kingdom currently holds the presidency, took forward work to promote market-oriented collaborative ventures in high technology between European firms.

1.14 On Regional Policy the Council in December adopted amendments to the main European Regional Development Fund Regulation so as to provide for the participation in the Fund of Spain and Portugal.

1.15 At the Environment Council on 28 November Ministers resolved a number of outstanding points on the draft directive on polluting emissions from vehicles. They also agreed that the marine pollution information system for the control and reduction of pollution caused by hydrocarbons discharged at sea should be extended to cover other harmful substances. Work was set in hand to prepare for the European Year of the Environment which will run from 21 March 1987 to 20 March 1988.

1.16 In the inland transport sector agreement was reached that a free market in transport without quantitative restrictions should be created by 1992 at the latest. The liberalisation of transport services within the Community is a major priority for the United Kingdom and, although the details of the transitional period remain to be worked out, the commitment in principle to liberalisation by 1992 is a welcome step forward. It was, however, disappointing that very slow progress was made in work on draft Community instruments on sea and air transport.

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1.17 In the social and employment field, agreement was reached on the draft directive on noise and on a revised European Social Fund (ESF) regulation to accommodate the entry of Spain and Portugal in 1986. It was also agreed that the basic rules of the ESF should be revised to provide support for unemployed people wishing to set up their own businesses from 1986. The Commission issued a supplementary decision on applications for ESF assistance allocating the United Kingdom a further £16 million for 1985 employment and training schemes. A programme of co-operation between industry and higher education in the field of training in technology was also agreed.

1.18 On energy issues the Government welcomed the extension of the coal state aids regime for a further six months. Agreement was also reached to continue sales aid for coking coal until the end of 1986, but at a reduced level. Discussion continued on the new energy objectives for 1995 with acceptance that they should be expressed principally in qualitative terms. Approval was given to the final texts of regulations renewing Community support for energy demonstration projects and projects to develop new technologies in the hydrocarbons sector. The Government regretted that proposals for continued support for social measures resulting from the restructuring of the coal industry were not agreed and had to be remitted for further discussion.

1.19 On external trade the Community, as the world's biggest trading bloc, welcomed the decision by the Contracting Parties of the General Agreement on Tariffs and Trade (GATT) to establish a Preparatory Committee for the new round of multilateral trade negotiations. (The Preparatory Committee is due to conclude its work by mid-July 1986 and make recommendations to a GATT Ministerial Meeting in September, which the Government hopes will agree to launch the new round.) As a contribution to more liberal trade, the Community decided to accelerate certain tariff cuts agreed in the Tokyo round of multilateral trade

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negotiations. The Community welcomed the US Government's re-affirmation of its support for the open trading system but continued to follow closely the progress of draft protectionist legislation in Congress. An arrangement for future levels of Community steel exports to the US was concluded. The Community took note of the series of measures adopted by the Japanese Government, including the 3-year Action Programme, to liberalise the domestic market and stimulate domestic demand. The Community continued to press the Japanese Government to set itself a quantified target for a significant increase in imports of manufactured goods and processed agricultural goods and to take further steps to expand domestic demand and strengthen the Yen. The Community reaffirmed its determination to respond to unfair trade practices on the part of all trading partners and imposed anti-dumping duties on certain products from a number of countries including Japan, the US and China.

1.20 The Community and member states continued to provide famine relief on a very large scale. The Commission reported in November that delivery had been effected of nine-tenths of the food and other aid committed under the Plan agreed at the European Council in Dublin (December 1984) to provide at least 1.2 million tonnes of grain to the worst affected countries. For 1986 the Community has agreed to establish a reserve to finance food aid for famine relief and on a special programme for rehabilitation in the famine affected countries.

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SECTION II: INTER-GOVERNMENTAL CONFERENCE (IGC)

2.1 The European Council in Milan on 28-29 June 1985 decided by majority vote to convene a Conference of Governments of member states to consider institutional reform of the Community and possible treaty amendments, as well as the proposals put forward by the United Kingdom and others for a treaty on foreign policy and security.

2.2 The Foreign Affairs Council on 22 July took the formal decision to convene the Conference at Foreign Minister level. The first meeting was held in Luxembourg on 9 September, with representatives of the Commission, Spain and Portugal attending.

2.3 The Inter-Governmental Conference (IGC) subsequently met six times. The United Kingdom was represented by the Secretary of State for Foreign and Commonwealth Affairs or by the Minister of State (Mr Malcolm Rifkind). Twelve preparatory meetings of officials also took place, led on the United Kingdom side by our Permanent Representative to the European Communities. A full list of IGC and IGC related meetings is at Annex B. Discussion covered the following subjects: internal market, role of the European Parliament, powers of the Commission, technology, environment, cohesion, monetary co-operation, social policy, European Court of Justice.

2.4 At the European Council in Luxembourg on 2-3 December Heads of Government reached agreement, subject to Italian and Danish overall reserves and some outstanding reserves on individual aspects of the texts, on a single European Act, comprising amendments to the Treaty of Rome in the areas listed in paragraph 2.3, as well as Treaty provisions codifying foreign policy co-operation among the member states. This outcome was reported by the Prime Minister to the House of Commons on 5 December.

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2.5 On completion of the internal market the Community set itself a target date of 1992 and agreed to make greater use of majority voting. Unanimity will be maintained on important issues such as fiscal provisions and those relating to the free movement of persons or the rights and interests of employees. The main effect of agreement will be to speed up completion of the common market in goods and services. The agreement does not affect frontier controls to deal with terrorism, drugs or immigration. It includes safeguards enabling the United Kingdom and Republic of Ireland to protect their high standards of animal and plant health.

2.6 As regards the European Parliament, the co-operation procedure which was agreed will give the European Parliament the opportunity to play a more constructive role in Community decisions on the internal market and in other important areas, while leaving the last word with the Council of Ministers. The European Parliament's assent will be required for new accession and association agreements.

2.7 The new articles on technology and the environment will update the Treaty of Rome by writing into it the pattern of collaboration already established in the Research and Environment Councils, and will provide a basis for future action. In technology emphasis is placed on market-oriented programmes to improve the competitiveness of European industry.

2.8 The article on cohesion gives a treaty base for the first time to the Regional Fund, which was set up in 1975 and has had a considerable impact on the poorer regions of the European Community, including areas of industrial decline. The structural funds operated by the Community (Regional Fund, Social Fund, Agricultural Guidance Fund) are to be better coordinated with one another and with the activities of the European Investment Bank.

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2.9 Agreement was reached that a reference should be made to the European Monetary System in the Treaty in a way which records what has already happened in this field without conferring new powers.

2.10 On the European Court of Justice agreement was reached inter alia on new Treaty articles providing power to set up a Court of First Instance. It is hoped that when this power is exercised it will enable the court to deal with staff matters and cases raising complex issues of fact (especially competition and anti-dumping cases). The changes are designed to reduce the Court's heavy workload.

2.11 The new treaty on European Co-operation in the sphere of Foreign Policy, based on the British text tabled earlier in 1985, formalises and strengthens the commitment to consult and concert. It applies to the existing pattern of consultation on the economic and political - but not the defence - aspects of security.

2.12 The European Council also endorsed Commission plans to relieve the burdens of Community requirements on businesses (deregulation) in response to an initiative of the Prime Minister.

2.13 A further meeting of the Inter-Governmental Conference took place in Brussels on 16 December. Discussion centred on relatively minor points which, following the decisions taken at the European Council, required clarification or further work.

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SECTION III: ECONOMIC BUDGETARY AND MONETARY MATTERS

New Own Resources Decision

3.1 The United Kingdom introduced on 14 June the European Communities Finance Bill seeking Parliament's approval of the new Own Resources Decision. The Bill completed its House of Commons stages on 22 October and all its stages in the House of Lords on 28 October. It received Royal Assent on 30 October. The formal notification to the Secretary-General of the Council on the completion of our procedures was made on 4 December. This made the United Kingdom the second member state to make this notification. The last notification, that of Italy, was received on 28 December and the new Own Resources Decision came into effect on 1 January 1986.

Amending Letter to the 1986 Preliminary Draft Budget (PDB)

3.2 The Commission published on 11 October a letter of amendment to the 1986 PDB proposing that the provision for the United Kingdom's abatement should be increased from 1400 million ecus (£824 million) ecus to 1664 million ecus (£979 million). This proposal was made because the VAT adjustment paid on 1 August increased the United Kingdom's 1985 VAT share, which is used for calculating our entitlement to abatement under the Fontainebleau system, from 21.34 per cent to 22.83 per cent. Because of the size of the resulting correction, the Commission felt that prudent budgetary management required this to be reflected in the budget at the earliest possible moment.

3.3 The Economic and Finance Council (ECOFIN) discussed the amending letter on 28 October. The Council accepted that the United Kingdom was entitled to the increased abatement, but expressed some anxiety about the timing of the Commission's proposal on two grounds. The first was that, although the adjustments had been made on 1 August, the Commission had failed to make its proposals in time for them to be considered at the first Budget Council on 17 September. The second was that the agreed methodology for the calculation of the abatement made no specific provision for a correction at that stage in the budgetary process.

3.4 The Council decided accordingly that a better solution would be to invite the Commission to bring forward a supplementary budget in September 1986 to correct the United Kingdom's abatement. This would take account not only of the VAT adjustment, whose effects had already been established, but also of the latest available information on receipts shares. The Council undertook to take the necessary decisions on the Commission's proposals at that time.

1000 million ecus abatement in respect of 1984

3.5 The European Council at Fontainebleau in June 1984 agreed that the United Kingdom should receive a 1000 million ecus flat-rate abatement of its VAT payments in 1985 in respect of its excessive net contribution in 1984. Provision for this was included in the new Own Resources Decision as well as in the 1985 budget. It was agreed that the abatement would be made not later than the first working day of the month following the second working day after the receipt by the Secretary-General of the Council of the last notification from member states that they had completed their national procedures for approval of the Own Resources Decision.

3.6 The last of these notifications was received on 28 December. The Commission made a payment of 270 million ecus to the United Kingdom on 31 December. The remaining 730 million ecus were paid at the beginning of January 1986. The payments were made at the exchange rate prevailing on 16 December 1985 (1.65 ecu = £1), giving the United Kingdom a total of £604,634,000. The whole payment will be debited to the 1985 budget.

1986 Budget

3.7 The start of the 1986 Budgetary Procedure was delayed by the late adoption of the 1985 Budget on 13 June 1985. The 1986 Preliminary Draft Budget, containing some 35,051 million ecu (£21,776 million)⁽¹⁾ in

(1) Converted at the rate of 1.6096 = £1 used by the Commission for the 1986 Budget.

payment appropriations and some 36,359 million ecu (£22,589 million) in commitment appropriations, was considered by the Budget Council on 17-18 September. The Council established a draft budget by qualified majority. The expenditure agreed by the Council totalled 32,056 million ecu (£19,916 million) in payment appropriations and 34,218 million ecu (£21,259 million) in commitment appropriations. This was consistent with the 1986 Reference Framework adopted in July and the Budgetary Discipline conclusions of December 1984. It also took into account the budgetary effects arising from the accession of Spain and Portugal. On the revenue side it included provision for the United Kingdom to receive a VAT abatement of 1.4 billion ecu, in accordance with the Fontainebleau agreement of June 1984.

3.8 On 13 November the European Parliament adopted a number of amendments and modifications to the 1986 draft budget. The total effect of these was to increase non-obligatory expenditure by some 1,786 million ecu (£1,110 million) over the draft budget. The Budget Council met again on 26 November and responded by proposing to limit these additions to 821 million ecu (£510 million) comprising 321 million ecu on account of enlargement, 400 million ecu for the so-called 'cost of the Past' overhang of past commitments in the Regional Development and Social Funds, and 100 million ecu in other budget lines. Two member states, the United Kingdom and Republic of Ireland, for different reasons, voted against the revised draft budget. The United Kingdom was opposed to making special extra provision for the 'cost of the past' problem and considered that the increase proposed for this purpose represented a threat to budget discipline. The Budget Council accepted the Parliament's proposal for establishing a new budget line for emergency food aid relief and reaffirmed its commitment to review the Community food aid arrangements in the light of need.

3.9 The European Parliament's Committee on Budgets made clear that the European Parliament wished to see substantially greater increases in expenditure. The Presidency called a further meeting of the Budget Council on Wednesday 11 December in Strasbourg in an effort to promote

agreement between the Council and the European Parliament. The Council decided by qualified majority to offer the European Parliament a further 242 million ecu (£150 million) of non-obligatory expenditure, provided that the European Parliament was willing to settle on this figure. The United Kingdom voted against this further offer on the same grounds as at the second Budget Council.

3.10 The European Parliament's plenary session voted on 12 December to increase the Council's revised draft budget figures by 629 million ecu (£391 million) in payment appropriations and some 473 million ecu (£294 million) in commitment appropriations - mainly for regional and social purposes. The President of the European Parliament then signed the Budget, as voted by the European Parliament, on 18 December.

3.11 The Council agreed on 20 December to take action before the European Court against the adopted Budget.

Economic and Finance Council Business

3.12 In accordance with the new arrangements for budget discipline, ECOFIN on 8 July reached an agreement by qualified majority to fix the reference framework for 1986 at 29.7 billion ecus (£17 billion). The major element in this was the guideline for limiting agricultural expenditure relating to agricultural markets for the ten member states to 20.6 billion ecus (£12 billion). The July Council also agreed that the 20th VAT Directive, which concerns special national aid for German farmers, should be adopted.

3.13 In discussions at its 28 October and 18 November meetings, the Council decided on measures to liberalise the marketing of unit trusts throughout the Community (see paragraph 5.14). The text was agreed for co-ordination and capital movements Directives, establishing common rules for unit trusts and other undertakings for collective investment in financial securities.

3.14 The Council in October discussed two budgetary matters. The 1986 Budget provision for the United Kingdom's VAT abatement in respect of 1985 was considered (see paragraphs 3.2 to 3.4). There was discussion also on how the financial guideline limiting agricultural expenditure should be extended to cover the Community of twelve member states.

3.15 The Council in November approved a loan to Greece, to be made under the Community Loan Mechanism, of 1.75 billion ecus (about £1 billion). It agreed also to raise the ceiling on the issue of Euratom loans from 2 to 3 billion ecus (roughly from £1.2 billion to £1.8 billion).

3.16 The Council continued its regular reviews of the economic situation in the Community, culminating in agreement at the 9 December Council to adopt the Annual Economic Report for 1985-86. The Council in December also discussed a progress report from the Economic Policy Committee, on labour markets and employment.

3.17 Following several previous discussions on indirect tax approximation in the context of the internal market, the Council in December agreed on the setting up of a high level working group to take the matter forward.

3.18 The Council's discussions also covered: in the context of the Inter-Governmental Conference on Treaty amendment, possible changes to the Treaty of Rome in respect of monetary co-operation; tax measures to encourage co-operation between undertakings in different member states; the system of commercial interest reference rates for export credits; and the application of Community competition rules to insurance.

European Monetary System

3.19 On 20 July, central rates within the European Monetary System (EMS) were adjusted. The effect of the adjustment was to devalue the central rate for the lira by 8 per cent. The Monetary Committee continued its consideration of the official and private ecu, and of

further liberalisation of capital movements. The European Council of 2-3 December requested the Commission to let it have a progress report, before the end of 1987, on the European Monetary System and the liberalisation of capital movements.

European Investment Bank (EIB): Loans

3.20 EIB own resources loans to the United Kingdom totalling £522 million were approved over the period. £295 million of this sum went to public sector bodies for energy, infrastructure and communications projects. The remaining £227 million went to private industry and was mainly in respect of two large projects in the energy sector - British Nuclear Fuels Ltd for the construction of a Thermal Oxide Reprocessing Plant at Sellafield, Cumbria and Hamilton Oil Great Britain to help finance the development of the Esmond Gas Field in the North Sea.

Customs Union

3.21 Work on harmonisation of customs and VAT legislation continued. The Council on 15/16 July adopted the 17th VAT Directive which introduced a harmonised system of VAT temporary importation reliefs. Subject to conditions relief may be claimed for specific classes of goods temporarily imported or, for a limited range, imported for possible sale. Relief is also available on temporary importation from another member state for any goods which belong to a person established outside the territory of the importing member state. The United Kingdom implemented the Directive on 1 January 1986.

3.22 The Council on 12 December adopted a regulation defining the conditions under which a person may be permitted to make a customs declaration. The Council on 20 December adopted a Regulation and a Directive effective from 1 July 1986 increasing from 35 to 45 ECU (£20 to about £27) the value of goods which may be relieved of duty and tax, when sent in small consignments of a non-commercial nature from third countries.

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Excise Duties

3.23 As a result of amendments to the United Kingdom's criteria for granting relief from duty on alcohol used in perfumed spirits and toiletries, which were introduced on 1 August 1985, the Commission has withdrawn its action before the European Court of Justice in which it had been alleged that the criteria in force prior to 1 August were in breach of Article 95 of the Treaty of Rome.

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SECTION IV: AGRICULTURE AND FISHERIES

Milk Supplementary Levy

4.1 A Commission Regulation was published on 17 October transferring 2.5 million litres from direct sales to wholesale quota under the milk supplementary levy arrangements. In November the Commission published its proposals for a Community Outgoers' Scheme to buy up and cancel quota. It is proposed to purchase and cancel up to 3 million tonnes of quota (approximately 3 per cent of the total quota), split between member states in proportion to their national quotas. Member states would have the option of using their own national funds to purchase further quota for reallocation at the same time. (The proposals will not be discussed by Agriculture Ministers until early 1986.)

Heat-Treated Milk

4.2 The Agriculture Council on 15-16 July agreed a directive on intra-Community trade in heat-treated milk which includes various provisions of special interest to the United Kingdom.

Sheepmeat and Beef

4.3 The Agriculture Council on 15-16 July agreed a decision authorising a further exchange of letters with Hungary to extend the arrangements for sheepmeat exports to Community markets considered to be sensitive areas.

4.4 The Council on 16-17 September agreed a decision authorising an exchange of letters with Argentina to extend, until the end of 1987, the arrangements for sheepmeat exports to Community markets considered to be sensitive areas.

4.5 The Council on 19 December adopted a regulation making arrangements for the import of sheep and sheepmeat during 1986 and subsequent years from third countries which had not concluded voluntary restraint agreements with the Community.

4.6 Following discussions with the member states most concerned which failed to reach agreement, the Commission adopted, on 6 December, a regulation imposing a clawback charge, with effect from 9 December, on ewes and ewemeat exported from Great Britain within the EC of 50 per cent of the rate applying to certified lambs. The United Kingdom implemented the regulation forthwith but France excluded ewe and ewemeat exports from Great Britain from 2-16 December and only lifted the ban after repeated protests had been made.

4.7 The Council on 9-10 December adopted regulations to extend eligibility for annual premium payments at 80 per cent of the normal rate, with effect from 1986, to untupped shearling ewes of the Herdwick breed in the Lake District and to goats in certain regions, in particular Greece, South Italy and Corsica.

4.8 The Fisheries Council on 20 December adopted a regulation amending the basic sheepmeat Regulation 1837/80 and Regulation 1985/82 so as to apply the sheepmeat regime to Spain and Portugal upon accession to the Community.

4.9 On 29 November the Commission adopted a regulation amending the rules under the sheep annual premium scheme so as to allow member states to fix two alternative periods for the submission of applications within the overall period from 1 December to 30 April.

4.10 The Council on 16-17 December adopted regulations to open two Community import quotas for 1986 covering 29,800 tonnes of high quality cuts of beef and 2,250 tonnes of buffalo meat.

Pigmeat

4.11 In October, the Commission adopted a regulation on the detailed rules for the Community scale for grading pig carcasses according to lean meat content. Member states have until 1 January 1989 to implement the new arrangements.

Eggs

4.12 In July 1985 a Commission regulation came into force setting out detailed rules governing the use of the description of eggs as 'free-range', as well as other standards for egg marketing. The regulation sets out provisions for the labelling of such eggs and criteria for their production. These rules are designed to provide better information for consumers and protect them from fraud.

Animal Health and Meat Hygiene

4.13 The Agriculture Council on 18/19 November adopted a directive which determines the measures to be taken by member states in the event of outbreaks of foot and mouth disease. It enables the United Kingdom to maintain its slaughter and non-vaccination policy and to retain certain measures which are more stringent than the directive's provision.

4.14 At the same Council a decision was adopted with effect from 1 July 1985 which amends Council Decision 77/99. This extends Community financial assistance in dealing with outbreaks of serious animal diseases to include non-exotic foot and mouth disease.

4.15 A Council directive was also adopted which extends, until 31 December 1987, the trade rules relating to enzootic bovine leukosis contained in Council Directive 80/1102. These rules provide guarantees that cattle traded within the Community are free from the disease.

4.16 Two Directives supplementing Directive 81/602 concerning the prohibition of certain substances having a hormonal action and any substances having a thyrostatic action were adopted by the Agriculture Council. On 15-16 July 1985, a Directive specifying control measures on the manufacture, distribution and use of certain hormonal substances was adopted. On 31 December 1985 a further Directive was adopted which will prohibit, from 1 January 1988, the use in livestock farming of certain substances having a hormonal action and will restrict others to therapeutic use only.

4.17 On 18 September, in compliance with Article 9 of fresh meat Directive 64/433 as amended, the European Commission adopted Decision 85/446 concerning on-the-spot inspections of fresh meat establishments approved for intra-Community trade. The Decision provided for Commission veterinary experts to check routinely and in the event of disputes between member states that EEC approved fresh meat establishments do in fact comply with the fresh meat Directive.

Food Additives

4.18 The Council on 20 December adopted a directive amending Directive 64/54 on preservatives for use in foodstuffs. The directive removes the deadline on the use of one substance and adds another, which will be used in wine-making, to the list of permitted preservatives.

Plant Health

4.19 On 19 December the Agriculture Council adopted a directive amending the text of Directive 77/93/EEC on the protective measures against the introduction of harmful plant pests and diseases into member states.

Sugar

4.20 The Agriculture Council on 9/10 December agreed to proposals extending the current sugar and isoglucose regime for the period 1985/86 to 1990/91 subject to the opinion of the European Parliament. Production quotas and levies remain unchanged for two marketing years, but before the end of that period, the Council will have to take a decision on the arrangements to apply for the following three years. An additional 'elimination' levy has been introduced which is designed to recoup, over the next five years, the accumulated deficit on the production levy/export refund account.

Processed Fruit and Vegetables

4.21 The Agriculture Council on 23 July adopted a proposal establishing the general rules for a permanent system of minimum import prices and countervailing charges for dried grapes. It became effective at the start of the marketing year on 1 September.

4.22 The Commission on 2 August acted under its safeguard powers in Article 14(2) of Regulation 516/77 to impose a temporary ban on imports of frozen and other processed sour (Morello) cherries for the period 3 August to 30 September. On 30 September the Commission revised the minimum import price arrangements for frozen and other processed sour cherries introduced in June 1985. A two tier system of minimum import prices was introduced from 1 October to take account of the major price differences for cherries marketed with or without the stones.

4.23 The Agriculture Council on 21 October adopted a proposal allowing the Commission to derogate for 1985/86 from the additional production aid arrangements for tomato products adopted at the 1985 price fixing.

Agri-monetary

4.24 The Agriculture Council on 19 December agreed to a devaluation of the representative ("green") rate used to convert sheepmeat support prices into French francs, to apply from the start of the marketing year on 6 January 1986.

European Agricultural Guidance and Guarantee Fund (EAGGF)

4.25 Under the Guarantee section of the EAGGF, United Kingdom receipts during the period were £637 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 aids, the storage of milk products, and beef and sheepmeat premiums. United Kingdom receipt from the Guidance section of the EAGGF amounted to £56 million during the period, with £5 million for direct (project type) measures and £2 million for non-marketing of milk.

Fisheries - Internal

4.26 The Fisheries Council on 16/17 December agreed two changes to the regulation on 1985 total allowable catches (TACs) and quotas for member states. These were an increase in the TAC for plaice in the Bristol Channel and changes in the quotas for monkfish and megrim. The Fisheries Councils on 16/17 December and 20 December agreed in principle to TACs and quotas for 1986 and to their implementation on a provisional basis until 25 January. As provided for in the Act of Accession of Spain and Portugal, the Council reached agreement on the allocations to Spain and Portugal of stocks already subject to TAC and the introduction of TACs and quotas for the enlarged Community for pollack and Norway lobster in Western waters as well as for a number of other species in Spanish and Portuguese waters.

4.27 At the 16/17 December Fisheries Council the Commission agreed to withdraw its proposal for an increase in the whitefish by-catch when fishing for Norway pout, which the United Kingdom had firmly opposed. Guide prices for 1986 were agreed as a matter of urgency at a Council other than Fisheries. Certain changes in the market and trade arrangements for fish and fish products were also agreed in the context of enlargement.

4.28 The 20 December Fisheries Council also adopted a series of improvements to the Regulation on the control of fishing activities in order to provide in particular for better enforcement of catch reporting and control of transshipments. Additional controls on vessels of other member states fishing in Spanish and Portuguese waters as well as on Spanish and Portuguese vessels fishing in the waters of the existing member states were also adopted.

External Regime

4.29 Negotiations were concluded with a number of third countries on the fishing arrangements for 1986. These provided for fishing by Norwegian, Swedish and Faroese vessels in the waters of member states and for fishing opportunities for member states' vessels in the waters off Norway, Sweden and the Faroe Islands as well as off Canada and Greenland. An agreement was concluded with Norway and Sweden on the 1986 fishing arrangements in the Skagerrak and Kattegat. The Fisheries Council on 20 December agreed to the implementation of the agreements with Sweden and the Faroes and of the trilateral agreement; it agreed to the implementation of the Norway agreement, subject to Parliamentary scrutiny procedure, on a provisional basis to 25 January. The Council also agreed the 1986 licensing arrangements for third country vessels fishing off French Guyana.

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

Regional Policy

5.1 The Foreign Affairs Council - on 16-17 December adopted four regulations which completed the second and final set of non-quota measures under the European Regional Development Fund (ERDF). Two of these provided some other member states with the kind of aid already available to the United Kingdom in respect of certain areas suffering from the decline in the textile and shipbuilding industries. The third regulation extended the geographical scope of the existing regulation concerning border areas of the Republic of Ireland and Northern Ireland. The changes in respect of the United Kingdom concerning ERDF aid for the border areas of the Republic of Ireland and Northern Ireland resulted in the inclusion of the whole of Northern Ireland except the urban area of Belfast. It also extended the activities eligible for aid in order to include investment aid to small firms, promotion of innovation and the setting up of economic promotion agencies. The fourth regulation concerned aid for areas affected by the decline in the fishing industry, and provided in respect of the United Kingdom for aid to the Travel to Work Areas of Hull, Grimsby and Blackpool (which includes Fleetwood). The United Kingdom should receive as a result of these regulations about £9.5 million in respect of Northern Ireland and about £8.5 million in respect of the Fisheries Regulation, in each case over a period of five years.

5.2 On 20 December the Agriculture Council adopted amendments to the main regulation governing the ERDF in order to provide for the participation in the Fund of Spain and Portugal with effect from their accession to the Community on 1 January 1986. The main amendment provided for minimum and maximum percentages of the Fund for each new member state, and for consequential reductions in the percentage ranges of the existing member states.

5.3 About £1450 million was available in 1985 for commitments to all member states under the support measures section of the Fund, and in addition the budget provided some £68 million for the special measures (non-quota) section. The United Kingdom was allocated about £354 million from the support measures section, 23.8% of the commitments made. Just over £62 million of the United Kingdom allocation constituted the first annual commitment, of an overall grant of £153 million to be made over a three year period, to three national programmes of community interest (in respect of Glasgow; the Mersey Basin; and Shildon, Newton Aycliffe and Bishop Auckland). These programmes were the first in any member state to be approved since provision for programme financing was introduced under the new main Regulation in January 1985. In addition the United Kingdom continued to receive aid under the non-quota section of the Fund, in respect of certain areas affected by the decline of the steel, shipbuilding and textiles industries, and in respect of certain border areas of Northern Ireland.

5.4 In October the Commission reported to the Council on the application of Regulation 1739/83, which provides assistance for urban renewal in Belfast, indicating that it was satisfied that the additionality requirement had been met in respect of the first two tranches of aid. In November the Commission approved the third and final tranches of 34 million ecu (£20 million), for infrastructure projects in the Belfast area.

Internal Market

5.5 The Internal Market Councils on 7 October and 12 December considered the follow-up to the conclusions of the European Council in Milan. The Council in October agreed that the Internal Market Council should act as the focal point for coordinating and monitoring progress on the proposals contained in the Commission's White Paper 'Completing the Internal Market' and that the Luxembourg Presidency should prepare with the two following Presidencies (the Netherlands and the United Kingdom) an action programme to the end of 1986. The programme was approved by the Council on 12 December.

5.6 The Council on 12 December reached a common position on the Co-ordinated Development Project, which is designed to develop interconnection of the computer systems of the member states' customs administrations, the Commission and the trade, in order to facilitate both intra-Community and third country trade.

5.7 The first application of the new approach to technical harmonisation of standards envisaged in the Council Resolution of 7 May 1985 is in the field of simple pressure vessels, on which the Commission has consulted experts from member states with a view to making a formal proposal to the Council early in 1986.

Information Technology Standards

5.8 The high level group established to oversee the harmonisation of information technology standards met on 18 September and 25 November. The Commission has contracted with the European standards bodies (CEN/CENELEC) to provide the infrastructure and procedures necessary to ensure the swift generation of harmonised functional standards, which will relate baseline international standards to products and services. An open meeting held in Brussels in October considered the initial standardisation programme. The programme is now well under way. Proposals received in response to the Commission's call for bids to provide European conformance testing services for products which are claimed to comply with the emerging standards have been considered and after having held detailed negotiations with the proposers the Commission is ready to issue contracts: two UK test centres are involved. Discussion has begun to establish Community wide arrangements for the mutual recognition of certification of products for conformity to standards. Within the multi-annual programme on data-processing, the research programmes on the development of Ada (an advanced computing language) and international distributed databases are proceeding on schedule.

Steel

5.9 The Industry Council on 29 October agreed a code governing state aids to the steel industry for the next three years and a new system of production quotas for the next two years. The new state aids code bans operating aid and investment aid (including regional aid) for the steel industry. Aid for research and development and for environmental protection will be permitted on terms similar to other industries. Closure aids can be paid, if member states wish, for the costs of redundancy, and to firms leaving the steel industry altogether. All funds made available by Governments to the steel industry must be notified to the Commission in advance. The Commission will scrutinise proposed payments to ensure that they are on commercial terms and include no aids other than those types permitted under the new code. Coated sheet and reinforcement bar are freed from the revised steel production quota system on 1 January 1986. All other products will remain under quota control, but the position will be reviewed during 1986. The Council also agreed to suspension of the system of minimum prices. The Commission will continue to monitor trade flows in steel products between member states for evidence of possible breaches of the price rules in the European Coal and Steel Community Treaty. The new arrangements also make provision for extra quota to be given to firms such as the British Steel Corporation, which have had to make regular and significant purchases of quota under the past system.

Shipbuilding

5.10 On 5 July, it was announced that the negotiations for a new Shipbuilding Intervention Fund regime had been concluded. The new arrangements, which will apply to orders taken from July 1984 and last until December 1986, permit an increased rate of up to 20.5 per cent Intervention Fund plus 2 per cent Shipbuilders Relief. For vessels over 70,000 deadweight tonnes built in Northern Ireland, the maximum may be

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increased to 25.5 per cent plus 2 per cent Shipbuilders Relief. The Commission has indicated also that it will be prepared to consider payments above these levels on a case by case basis particularly for orders where there is no Community competition. Intervention Fund assistance is essentially intended as a temporary aid to merchant shipbuilding and it is provided only for contracts taken on a non-profit basis. Aid of this kind will thus not normally be appropriate for, nor provided to, yards which have been or are to be privatised by British Shipbuilders. The Commission has, however, agreed to consider any case where exceptionally, for reasons related to the maintenance of defence capacity, Intervention Fund assistance might be given.

Patents and Trade Marks

5.11 Following a request from the Presidency, a diplomatic conference was arranged for 4-18 December with the aim of adopting an instrument to allow swift entry into force of the Community Patent Convention and an associated Protocol on litigation. During the Conference it became apparent that agreement could not be reached on entry into force and the matter was referred to the meeting of the Internal Market Council on 12 December. This meeting was also unable to reach agreement on bringing the Convention into force in the near future but asked the Conference to continue to work. The Protocol on Litigation which provides a revised system of settling disputes in Community patent cases was agreed, subject to detailed examination and any change in circumstances in advance of entry into force of the convention. The Council Working Group on Intellectual Property (Trade Marks) met six times for detailed discussions on the Commission proposal for a Council Regulation on a Community Trade Mark and completed the second reading of this proposal in November.

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Insurance

5.12 No progress was made on the proposed non-life insurance services directive or the insurance contract law directive. Further discussions took place on the EC/Swiss agreement on non-life insurance.

Company and Securities Law

5.14 The regulation to introduce the European Economic Interest Grouping (EEIG) was adopted on 25 July which will make it possible to register EEIGs as from 1 July 1989. Negotiations continued on the proposed 5th Company Law Directive (worker participation, company structure) and on the proposed Directive on the accounts of Credit institutions. The adoption on 20 December of a directive establishing common rules for unit trusts and other undertakings for collective investment in transferable securities (UCITS) was a noteworthy step forward in eliminating barriers to the Community's internal market in financial services. Under the directive, which is to be implemented by 1 October 1989, UCITS authorised by any member state will be able to market their units freely throughout the Community, subject only to complying with the rules on marketing in the member state where the units are sold. An associated directive adopted on the same day will remove exchange controls applied to units of UCITS.

SECTION VI: RESEARCH AND DEVELOPMENT

Towards a Technological Community

6.1 An informal session of the Research Council was held in October which was devoted exclusively to an initial exchange of views on the Commission's proposals for implementing its ideas for improving Europe's technological and industrial competitiveness. The Council expressed broad agreement on the need for an overall strategy for European Community Research and Development reflecting current priorities and objectives and on the need for more effective exploitation of the results of R & D in the market place. In this context the Council also discussed complementary European collaboration as envisaged under the EUREKA initiative.

Environment

6.2 The Research Council on 10 December reached agreement in principle on the technical content of and financial resources for a continued programme on Environment and Climatology. The programme will cover research into environmental protection, climatology, including a small element on earthquakes, and major technological hazards and has been allocated a total of 75 million ecu (£44 million) over a five year period 1986-1990.

Materials

6.3 A second materials programme was also agreed in principle by Council in December. The programme will provide for continued activity on primary and secondary raw materials and wood research. New work will be undertaken in the field of advanced materials (EURAM) and will account for nearly one-half of the programme. A total of 70 million ecu (£41 million) was allocated to the programme over a four year period 1986-1989.

Science and Technology for Development

6.4 The December Council considered the possible integration into the existing Science and Technology for Development programme of a new research proposal covering the development of endogenous scientific and technical research capacity in developing countries. No decisions were taken and the Commission will submit formal proposals for the enlarged programme during 1986.

Joint Research Centre

6.5 Following a report by the Centre's Board of Governors that allocated funding would be insufficient to carry out the Centre's planned programme for 1987, the Council approved a Commission proposal to make savings of 20 million ecu (£12 million) during 1986 and 1987 and agreed to review the Centre's work during 1986. The Joint Research Centre carries out direct action research programmes in the fields of industrial technologies, fusion, fission, non-nuclear energy sources and environment.

RACE

6.5 The Commission's proposal for research in the field of telecommunications was taken a stage further on 25 July 1985, at which a Decision was adopted at a meeting of the Steel Council initiating the Definition Phase of Research and Development in Advanced Communications Technologies for Europe (RACE). This is to continue for 18 months from 1 July 1985 and is in two parts. Part I will consist of analytical work to formulate a reference model for integrated broad-band communications. Part II will involve projects to evaluate and explore technological options for research and development, to be carried out under shared-cost contracts.

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ESPRIT

6.6 The December Research Council gave its approval to the 1986 work programme for the European Strategic Programme for Research and Development in Information Technology (ESPRIT) and an Evaluation Report on proposals submitted under the 1985 Work Programme was accepted by the Commission. There was a Supplementary Call for proposals on Software Technology. A Mid Term Review on the Programme, as required under Article 8 of Council Decision 84/130/EEC, was carried out by a Review Board and its Report was submitted to the Commission.

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SECTION VII: ENVIRONMENT AND TRANSPORT

Environmental Issues

7.1 The main item on the agenda for the Environment Council on 28 November was the draft directive on polluting emissions from vehicles. Subject to a general reserve by two other member states and a Parliamentary reserve by the United Kingdom, agreement was reached on the points left outstanding from the June Council. A correction factor will be applied to emission standards for cars with automatic transmission; these cars will be eligible for the full fiscal incentive schemes being offered by some other member states. A derogation of three years in the timetable to meet the agreed emission levels is to apply to cars fitted with direct injection diesel engines; these cars will not be eligible for fiscal incentives during this period. The dates from which cars can be required to be able to run on unleaded petrol were settled as: 1988 for new models over two litres; 1989 for new models below two litres; and 1990 for existing models below two litres (with a derogation of one year for small cars, and three for medium cars if the existing model required major re-engineering).

7.2 Agreement was also reached on an extension to the marine pollution information system for the control and reduction of pollution caused by hydrocarbons discharged at sea to cover other harmful substances.

7.3 The Council discussed the chapter on the environment in the Commission's Green Paper "Perspectives for the Common Agricultural Policy", giving a general welcome to the Commission's proposals; and held a preliminary exchange of views on the designation as European Year of the Environment of the twelve months beginning 21 March 1987. After discussion of the draft directive on the discharge of dangerous substances to water, it was agreed that further scientific assessment was needed to determine which substances should be covered by the directive.

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7.4 Other items discussed included draft directives on the control of emissions to the air from large combustion plants; the sulphur content of gas oil; the use of sewage sludge in agriculture; pollution by waste from the titanium dioxide industry; and a proposed regulation establishing a scheme to provide forests in the Community with increased protection against fire and atmospheric pollution.

Transport Issues

7.5 At the Transport Council meeting on 14 November, Ministers reached agreement that for inland transport a free market without quantitative restrictions should be created by 1992 at the latest. In the meantime there should be a progressive adaptation of the existing bilateral road haulage quotas and a simultaneous development of the Community road haulage quota. Member States would also seek to remove distortions of competition during this period. The Council asked the Committee of Permanent Representatives (COREPER) to work out the details of the transitional arrangements.

7.6 The Council also adopted revised regulations on drivers' hours for commercial vehicles and conclusions on an Italian proposal for a Transport "Masterplan." An increase in the Community quota for road haulage to take account of the accession of Spain and Portugal was also agreed as were conclusions on measures to be taken during European Road Safety Year in 1986.

7.7 The Council was, however, unable to reach any agreement on the package of draft shipping legislation put forward in the commission's memorandum on sea transport. Similarly, the Council discussion on aviation was inconclusive and the Commission proposals on competition, tariffs and capacity in intra-Community air transport were remitted to officials for further consideration. The Council also considered a proposed directive on combined transport, the question of a maximum drive axle weight for lorries, and future policy on vehicle taxation, but without reaching any firm conclusions on these subjects.

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SECTION VIII: SOCIAL AFFAIRS

Employment

8.1 Employment Ministers met informally on 24 September. The main topic of discussion was labour market flexibility. They also discussed the possibility of exempting small firms from the provisions of the Equal Treatment Directive. The Standing Employment Committee, a four sided group consisting of Employment Ministers, the European Commission and representatives of the employers and the workforce, met on 20 December to discuss growth and employment in a large internal market.

8.2 The Labour and Social Affairs Council on 5 December (see paras 8.4-8.5) agreed the draft directive on noise at work, and a programme for promoting co-operation between industry and higher education in the field of advanced training (COMETT). It also agreed a revised European Social Fund decision and regulation to take account of the accession of Spain and Portugal together with an amendment to the Fund rules so as to provide fund support for 1986 for unemployed people wishing to set up their own businesses. The United Kingdom maintained its opposition in principle to the draft parental leave directive. There was also a short discussion on the Commission memorandum on youth policies.

European Social Fund

8.3 The Commission issued a supplementary decision in December allocating to the United Kingdom a further £16 million for 1985 employment and training schemes. The main beneficiary is the Manpower Services Commission with £9.7 million, including £3.8 million for the Community Programme and £3.6 million for the Youth Training Scheme. Northern Ireland receives an extra £1.7 million. This brings the total Social Fund allocation to the United Kingdom in 1985 to £308 million.

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8.4 The Labour and Social Affairs Council agreed a revised Social Fund decision and regulation to accommodate the entry of Spain and Portugal in 1986 (see paragraph 8.2). The whole of Portugal and parts of Spain were granted special priority status giving them the same enhanced intervention rate of 55 per cent as the French overseas territories, Greece, Ireland, the Mezzogiorno (Southern Italy) and Northern Ireland. It was also agreed to raise the level of support available to these areas from 40 per cent to 44.5 per cent of the Fund.

8.5 The Council further agreed to amend the Social Fund basic rules so as to provide Fund support for unemployed people wishing to set up their own businesses from 1986.

The Anti-Poverty Programme

8.6 The Commission announced their final selection of projects on 11 October 1985. 61 projects, spread over participating member states, are to be financially assisted. A total of 14 projects have been selected in the United Kingdom - 9 in England, 3 in Wales, and 2 (combined) projects in Northern Ireland. The projects will begin in January 1986.

8.7 The United Kingdom have also submitted 3 projects to assist homeless people under the "marginals" theme of this programme. The Commission will make their selection by March 1986.

Rights of Establishment

8.8 Draft directives on the mutual recognition between member states of qualifications of pharmacists were agreed at the Foreign Affairs Council on 16 September.

Consumer Affairs

8.9 A Council Directive (85/374/EEC) on product liability was adopted at the Steel Council on 25 July. The directive, which makes manufacturers and importers throughout the Community strictly liable for

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injuries and damage to personal property caused by defects in their products, is to be implemented by member states within three years. The Department of Trade and Industry issued a consultative document in November 1985 on implementing the directive. At the Internal Market Council on 12 December, Germany lifted their reserve on doorstep selling, clearing the way for the adoption of this directive at the Council on 20 December. The directive provides a statutory cooling-off period for most contracts of around £35 or more where these are concluded during an unsolicited call on the consumer at his home or place of work. Progress was also made at the Internal Market Council towards the setting up of a Community-wide accident surveillance system. The Council also took note of the progress made in discussions on the consumer credit directive. The Council discussed the Commission's recent paper on a new impetus for consumer protection policy and agreed that this warranted further discussion. Discussions have continued on proposals for a toy safety directive where the United Kingdom is pressing for more rapid progress.

Education

8.10 The EC Education Committee has carried forward work on implementing the conclusions in a number of areas agreed by Ministers in June 1985.

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SECTION IX: ENERGY

9.1 The Energy Council on 11 November adopted a directive governing the use of substitute fuels in petrol. Approval was also given to the final texts of the regulations extending for another four years the Community schemes for aiding energy demonstration projects and developing new technologies in the hydrocarbons sector.

9.2 In discussions on the new Community energy objectives for 1995, Ministers were agreed that the objectives should be principally qualitative, acknowledging the uncertainty of market developments and the widely different energy resources and demands of member states. It was recognised that the inclusion of some illustrative quantification could be helpful as markers against which to assess changes. There was a wide variety of views on particular sectoral objectives but there was general acceptance that Commission monitoring of national energy policies as agreed in the conclusions of the November 1984 Council should continue.

9.3 The decision governing the payment of aids by member states to their coal industries, due to expire at the end of 1985, was extended for six months. This extension will prevent the legislative vacuum that would otherwise have arisen, and will allow proper time for discussion of the Commission's proposals for a new regime. Agreement was also reached on a continuation of sales aid for coking coal until the end of 1986 at a reduced quantity of 8.5m tonnes. No agreement however was forthcoming on the need for continued support for social measures resulting from the restructuring of the coal industry. The question of making resources available for this purpose was remitted for further consideration.

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9.4 On the issue of refining and the trade in oil products the Commission will closely monitor the measures announced by Japan to open its markets to refined products. Commissioner Mosar visited Japan in December to emphasize the importance the Community attaches to this question.

9.5 It was also agreed that energy arguments supported the raising of the ceiling on Euratom loans as proposed by the Commission. The matter was agreed by ECOFIN in December. The Commission in August adopted the 1984 Illustrative Nuclear Programme under Article 40 of the Euratom treaty.

Receipts from the Community

9.6 The European Regional Development Fund paid grants totalling £1.2 million to the electricity supply industry and £2.3 million to the gas industry for 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 radio-active management and safety research and development programmes. The National Coal Board received £2.0 million in research grants from both EEC and ECSC.

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SECTION X: EXTERNAL RELATIONS, TRADE AND AID

External Trade

10.1 The Community played an important role in the 41st meeting of GATT Contracting Parties on 25-28 November. The Contracting Parties decided by consensus to establish a Preparatory Committee to determine the objectives, subject matter, modalities for and participation in a new round of multilateral trade negotiations. The Preparatory Committee will prepare by mid-July 1986 recommendations for the programme of negotiations for adoption at a Ministerial meeting to be held in September 1986. The Community agreed on 11 November to bring forward to 1 January 1986 the tariff cuts previously due to take place in 1987, according to its schedule agreed in the GATT Tokyo Round of multi-lateral trade negotiations.

10.2 The Community agreed on 4 July to impose anti-dumping duties of between 2.9 per cent and 31.9 per cent on imports of excavators from Japan and on 12 August imposed duties of 14.5 per cent on Japanese glycine exports and 20 per cent on imports of cycle chains from China. On 13 September the Community imposed a duty of 3.9 per cent on imports of polyester from the US. The Community are currently investigating dumping allegations against electronic scales and photocopier imports from Japan.

European Free Trade Association (EFTA)

10.3 Senior officials from the EFTA countries and the Commission met on 29 October to review progress and to give further impetus to expert work on implementing the April 1984 Luxembourg Joint Declaration of EC/EFTA Ministers on further co-operation between the two blocs. Separate meetings were held in December between the Community and each of the EFTA countries on a variety of issues under the terms of its free trade

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agreements with these countries. There was a series of meetings at official level between the Commission and individual EFTA countries to discuss the Adaptation Protocols to the free trade agreements following the accession to the Community of Spain and Portugal. No final text for the Adaptation Protocols was agreed. It was therefore agreed to extend the current trade agreements and arrangements which exist between Spain and Portugal on the one hand and the EFTA countries on the other to 28 February 1986.

EC/United States

10.4 The Community was encouraged that the United States (US) President's trade policy statement in September reaffirmed his Government's support for the open trading system. However, protectionist pressures in Congress remained high; the Community continued to follow closely the progress of draft protectionist legislation. In August an agreement was concluded limiting the levels of Community exports to the US of steel 'consultation products' for the remainder of 1985. A successor agreement to the 1982 EC/US Carbon Steel Arrangement was ratified on 10 December. Consequently, Community exports to the US of 33 categories of steel products, including pipes and tubes, will be subject to agreed restraint levels until 30 September 1989. In November the Community and the US resolved a long-standing dispute over production aids granted for Community canned fruit producers. The US unitary system of taxation continued to be used in several states. The Community noted the US President's statement that his Government will support federal legislation to resolve the issue. The Community has submitted a number of diplomatic Notes to the US Government concerning changes in US export control laws. In July, following the passage into law of the amended US Export Administration Act, the Community urged the US Government to reconsider the need for extraterritorial export control laws. The Community also made representations in July and November on the new US Distribution Licence regulations. The US authorities were reminded that they would have to seek the permission of member states before sending US officials to carry out 'audits' of foreign firms under these regulations.

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EC/Canada

10.5 The Community continued to urge upon the Canadian Government the need for Provincial Liquor Boards to remove discriminatory practices against imported alcoholic beverages. In the absence of action by Canada the Community requested the establishment of a GATT Panel to rule on the dispute. The Community sought GATT consultations with Canada following the Canadian Government's extension of its restrictions on footwear imports for a further three years.

EC/Japan

10.6 The Foreign Affairs Council on 22 October took note of the series of measures adopted by the Japanese Government to liberalise the Japanese market, including the 3 year Action Programme announced on 30 July and the measures to stimulate domestic demand announced on 15 October. The Council acknowledged the Japanese Government's intentions as reflected by the measures as a move in the right direction, but expressed doubt that they would have a significant and early enough effect on the trade imbalance. Furthermore the Council agreed that the Japanese Government should be invited by the Community to set itself a quantified target, with a timetable, for a significant increase in imports of manufactured goods; to take further steps to expand domestic demand; and to encourage the strengthening of the Yen. Three Commissioners visited Tokyo between 16-18 November to take up these points with the Japanese Government. The Community's 3 year voluntary restraint arrangement with the Japanese Government expired on 31 December, as the latter indicated its intention to continue monitoring export levels of certain sensitive items.

EC/Association of South East Asian Nations (ASEAN)

10.7 Community and ASEAN Ministers met in Bangkok on 17-18 October to review relations and to discuss economic and commercial matters of mutual interest. A wide range of commercial and economic issues were discussed. In particular the two sides agreed on the importance of a new GATT round and on the need to look at ways of promoting private sector Community investment in ASEAN.

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EC/China

10.8 The non-preferential co-operation agreement with the People's Republic of China entered into force on 1 October. The second EC/China Business Week was held in Brussels from 2 - 7 December.

EC/Pakistan

10.9 A new non-preferential co-operation agreement with Pakistan was signed at Brussels on 23 July.

EC/Gulf Co-operation Council (GCC)

10.10 A ministerial level meeting between the Community and the GCC took place in Luxembourg on 14 October. The two sides agreed that EC/GCC discussion should move into a new and more active phase with the aim of concluding a mutually beneficial economic and commercial co-operation agreement.

Mediterranean Policy of the Enlarged Community

10.11 At the Foreign Affairs Council on 25 November, the Community agreed a mandate for negotiations with Mediterranean third countries on the adaptation of their co-operation/association agreements to take account of enlargement. The mandate is designed to ensure that their access to the Community market is not adversely affected by Spanish and Portuguese accession. At the same time the Community agreed a mandate for negotiations with Cyprus on the establishment of a customs union. General guidelines for financial co-operation with Mediterranean third countries were also approved.

EC/Central America

10.12 EC and Central American Foreign Ministers met in Luxembourg on 11-12 November. A wide range of economic and political issues were discussed and a new non-preferential EC/Central America co-operation agreement was signed on 12 November.

Textiles

10.13 The Community agreed in July an initial position on the future of the Multi-Fibre Arrangement. Discussion began on a detailed negotiating mandate for the renewal of the MFA and of the bilateral textile agreements and arrangements on the basis of a proposal by the Commission. The Community took safeguard measures on imports from Turkey on a number of sensitive clothing and textile categories and a voluntary restraint arrangement was agreed in December on a further five textile categories. Agreement was reached with Malta on extending the voluntary restraint arrangement for 1986 and 1987.

Steel

10.14 The Community approved the Commission's negotiating mandate for the renewal of voluntary restraint arrangements operating in 1985 and earlier years covering steel imports from 12 countries; certain of the countries of EFTA and the Council for Mutual Economic Assistance (CMEA), Japan, South Africa and Brazil. The measures are designed to minimise the disruption of unfairly priced imports by granting exemption from antidumping action in return for suppliers' agreement to keep within agreed margins of Community producers' delivered prices and to respect quantitative ceilings based on traditional patterns of trade by time, product and geographic coverage. The 1986 regime provides for continuation of the principal features of the existing arrangements, subject to some relaxation of restraint levels. A system of basic import reference prices is applied to those supplier countries which do not conclude voluntary restraint arrangements.

Generalised Scheme of Preferences (GSP)

10.15 The Community's mid-term review of the GSP has been completed and some adjustments made. Reductions in the benefits for competitive industrial products from the more advanced developing countries were agreed, thus permitting agreement on improvements for the poorer and less

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competitive developing countries. Regulations for the 1986 scheme were adopted by the Foreign Affairs Council on 16-17 December 1985 and come into operation on 1 January 1986.

Consumer Electronics

10.16 The Community agreed on 20 December to increase the duty on video tape recorders (VTRs) from 8 per cent to 14 per cent on 1 January 1986. In accordance with its GATT obligations, the Community also agreed to make offsetting duty reductions on semiconductors from 17 per cent to 14 per cent and to reduce to zero the duties on electronic calculators, portable radio receivers, portable cassette players and radio alarm clocks. Following the lapse, on 31 December 1985, of the Community's voluntary restraint arrangement with Japan, imports of VTRs will no longer be subject to quantitative limitation.

Overseas Development

10.17 Preparations for the implementation of the third Lome Convention continued, and the United Kingdom deposited its instrument of ratification. The Minister for Overseas Development addressed the first meeting of the African, Caribbean and Pacific countries (ACP)-EC Joint Assembly under its new constitution, which was held in Inverness from 23-27 September.

10.18 The Foreign Affairs Council on 1 October agreed to introduce a new system of compensation for loss of export earnings on various commodities for the benefit of a number of least developed countries not covered by the provisions of the Lome Convention. An announcement to this effect was made at the mid-term review of the UN sponsored Substantial New Programme of Action for Least Developed Countries held in Geneva from 30 September to 11 October.

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10.19 The Development Council on 4 November reviewed implementation of the Dublin Plan, gave a favourable reception to the Commission's outline proposal for rehabilitation assistance to the famine affected countries in Africa, and agreed on the need to create a food aid reserve to be used if necessary to respond to crisis situations in Africa in 1986. The Council also followed up earlier discussion on coordination of member states' aid policies, the role of women in development and trade promotion.

10.20 Under the framework Cooperation Agreement signed between the Community and the Central American States in November, there is provision for a substantial increase in EC aid with priority for projects designed to encourage greater regional co-operation.

10.21 Under the Community's regular food aid programme, food aid worth £113 million was allocated. 76 aid projects in the ACP countries associated with the Community under the Lome Convention worth a total of £209 million were approved. Nine projects worth £60 million were approved under the Community's aid programme to Non Associated developing countries; under the Community's agreements with Mediterranean partners, 6 projects to a value of £70 million were approved.

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SECTION XI: EUROPEAN POLITICAL CO-OPERATION

Introduction

11.1 The main feature of this period was the agreement reached at the European Council in Luxembourg on a Treaty on European Co-operation in the sphere of Foreign Policy. The Treaty provisions which derive from a United Kingdom initiative form part of the outcome of the Inter-Governmental Conference (see Section II). The member states, with Spain and Portugal, continued to consult and co-operate on a wide range of international issues, including East/West relations and the problems of the Middle East, Southern Africa, and Latin America.

Treaty on European Co-operation in the Sphere of Foreign Policy

11.2 The Foreign Affairs Council on 22 July instructed the Political Committee to draw up a draft Treaty on Political Co-operation on the basis of the texts put forward by the United Kingdom and others before the European Council at Milan in June. A draft Treaty on European Co-operation in the sphere of Foreign Policy, based closely on the United Kingdom's draft, was agreed in principle by the Heads of State and Government at the Luxembourg European Council (2-3 December). The Treaty gives a formal basis to the process of political co-operation which has hitherto rested on political agreements between the member states. It enshrines the member states' commitment to consult each other on matters of foreign policy and to co-operate on certain aspects of security. The machinery of Political Co-operation will be strengthened, in particular by the creation of a small permanent secretariat which will help the Presidency with routine tasks and improve continuity between Presidencies.

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East/West Relations

11.3 Foreign Ministers of the member states, Spain and Portugal issued a statement on 17 December expressing their satisfaction at the summit in Geneva between President Reagan and Secretary General Gorbachev. They reiterated their determination to make every effort to contribute to greater stability in East/West Relations.

Arab/Israel and Lebanon

11.4 During the Luxembourg Presidency the Ten maintained their support for the peace process and in particular the efforts of King Hussein of Jordan. This position was set out in a statement to the press after a meeting of Ministers on 19 November. The Ten reaffirmed their willingness to support a constructive effort to bring peace in the region and noted again the value of the Jordanian-Palestinian agreement concluded on 11 February. On 1 October the Ten issued a statement condemning the bombing by the Israeli Air Force of the PLO Headquarters in Tunis, and expressed the hope that this would not jeopardise the peace process.

Iran/Iraq

11.5 The Ten expressed their continuing concern about the Iran/Iraq conflict in a press statement after the 19 November Ministerial meeting. They welcomed the efforts of the member countries of the Gulf Co-operation Council to bring about a peaceful solution to the conflict.

Conference on Security and Co-operation in Europe (CSCE)

11.6 At the meeting on 30 July 1985 held to mark the tenth anniversary of the signing of the Helsinki Final Act the member states made clear their continuing support for all aspects of the CSCE process. They continued to work together within the CSCE process during the Budapest Cultural Forum in November.

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11.7 The Ten worked together in the Conference on Confidence and Security-Building Measures and Disarmament in Europe (CDE) in Stockholm to promote a series of concrete measures on confidence-building and security whose formal acceptance would be a major step forward.

South Africa

11.8 On 22 July Foreign Ministers of the Community, Spain and Portugal agreed a statement condemning the continuation of the apartheid system, calling for the renunciation of violence by all parties in South Africa, and regretting in particular the declaration of a state of emergency. This common position was reiterated in a statement issued at Helsinki on 1 August. During September, the Ten agreed a package of positive and restrictive measures which gave a clear political signal to the South African Government of their condemnation of apartheid and the need to begin a genuine dialogue with the representatives of the black community. The statement reiterated calls by the Ten for urgent and fundamental reform.

11.9 At the Foreign Affairs Council on 19 November, member states reached agreement on a revised Code of Conduct for Companies from the EC with Subsidiaries, Branches or Representation in South Africa, up-dating and strengthening the previous text which had been adopted in 1977. The voluntary Code is concerned with the pay rates and working conditions of the black South African employees of Community companies.

Central America

11.10 The member states supported the efforts of the Contadora Group to bring about a negotiated, comprehensive, and verifiable settlement in Central America based on the 21 Contadora objectives. The meeting in Luxembourg on 11-12 November between the member states and the countries of Central America demonstrated the practical support of the Community for the Contadora process. The conference concluded with the signature of a Final Act recording all the participants' agreement that the dialogue should be continued and developed.

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Terrorism and Hijacking

11.11 On 22 July Foreign Ministers of the member states issued a statement expressing their deep concern at the recent resurgence of terrorism and hijacking. An examination of the possibilities of establishing and maintaining strengthened international standards for airline and airport security was set in motion. The Ten agreed to collaborate closely in the International Civil Aviation Organisation and to encourage third countries not party to the existing international conventions to adhere to them.

Judicial Co-operation

11.12 In the field of civil law, the working group finalised a list of correspondents amongst the twelve for mutual assistance and the informal exchange of views on the operation of the European Convention on the recognition and enforcement of custody decisions and on the Hague Convention on the civil aspects of child abduction.

11.13.

The working group completed preparation of a draft convention to provide for the abolition of legalisation of public documents within the Community.

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SECTION XII: THE EUROPEAN PARLIAMENT

12.1 The European Parliament held six plenary sessions, each lasting a week, five in Strasbourg and one in Luxembourg. The Parliament several times discussed the work of the Inter-Governmental Conference as well as technology in Europe, human rights questions and action to combat drug abuse. It was also particularly concerned with the Community's 1986 Budget which is dealt with in Section III.

12.2 The following members of the Government visited Strasbourg during European Parliament sessions: Mr John MacGregor, Minister of State at the Ministry of Agriculture, Fisheries and Food, in July; Mr David Mellor, Parliamentary Under Secretary of State at the Home Office in September; Mr Ian Gow, Minister of State at the Treasury, in October; Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs, in November, and the Hon Peter Brooke, Minister of State at the Treasury in December.

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SECTION XIII: EUROPEAN COURT OF JUSTICE

Membership

13.1 On 16 July 1985 Mr Fernand Schockweiler was appointed Judge of the Court from 7 October 1985 to 6 October 1991, and Mr Jean Mischo was appointed Advocate-General from 1 January 1986 to 6 October 1991. They replace Mr Pierre Pescatore and Mr P Verloren Van Themaat, respectively, who have retired from membership of the Court.

Cases

13.2 References from United Kingdom Courts or Tribunals reached the ECJ in four cases. The United Kingdom either has submitted or is likely to be submitting observations in these cases. It has also submitted observations in seven references from other member states. In addition it has intervened as a party in three direct actions.

13.3 The last six months has been particularly characterised by an increase in the number of direct actions brought by the United Kingdom against the Commission. Two such cases involve challenges by the United Kingdom to decisions disallowing payments from Community funds on the ground of activities by the United Kingdom which are alleged to be contrary to Community law. One case involves differential milk pricing and the other concerns fishing quotas. Other member states have also suffered disallowance and are bringing actions challenging the relevant decisions. The United Kingdom has also brought two actions challenging other Commission decisions. One relates to the setting up of a prior communication and consultation procedure on migration policies in relation to non-member states. The other relates to the method of calculation of premiums payable to the United Kingdom in respect of ewes. An action commenced by the United Kingdom towards the end of the previous six month period, but not noted in the previous paper, seeks to reverse a decision reducing European Social Fund support for job creation schemes involving part-time work.

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13.4 The Commission has brought four actions against the United Kingdom. Two are in respect of VAT exemption and zero rating, one is in respect of restrictions on the importing of pasteurised milk and one in respect of differential pricing of milk for export purposes. A complete list of cases in which the United Kingdom has been involved is at Annex F.

13.5 The Court gave judgments of particular significance or interest for the United Kingdom on the following cases. In joined cases 25 and 26/84 Ford-Werke v Commission the Court was concerned with a selective distribution system designed to prevent the purchase of right hand drive cars in Germany at considerably cheaper cost than in Great Britain. Such cars had to be purchased either from a Ford dealer established in the United Kingdom or from a subsidiary of Ford Britain. The Commission decided that this agreement contravened Article 85 of the EEC Treaty and Ford challenged that Decision. The Court however upheld the Decision of the Commission.

13.6 Case 181/84 E D & F Man (Sugar) Limited provides an illustration of the operation of the principle of proportionality. In accordance with a Commission Regulation a security of over 2.7 million ecus was forfeit when the company failed to meet a deadline for applying for an export licence for export of sugar to non-member countries. The delay had been one of a few hours. The Court held that total forfeiture of this magnitude was disproportionate to the objective being sought to be achieved and that to that extent the Regulation was invalid.

13.7 In case 19/84: Pharmon v Hoechst the Court had to consider for the first time the question whether, and if so to what extent, the grantee of a compulsory licence under a national patent in one member state could use that licence for the purpose of selling in other member states where equivalent patents existed but where no equivalent compulsory licence had been imposed. Hoechst was the proprietor of a patent covering a medicine

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in Germany and of parallel patents in both Netherlands and the United Kingdom. DDSA, a United Kingdom company, obtained a compulsory licence to exploit the invention under the parallel patent which Hoechst had registered in the United Kingdom. DDSA had obtained a non-exclusive and non-transferrable compulsory licence covering the territory of the United Kingdom and subject to an export ban. Nevertheless, shortly before expiry of the United Kingdom patent, DDSA acted in breach of the export ban by selling to Pharmon a large consignment of the medicine which it had manufactured. Pharmon proposed to market the goods in the Netherlands and Hoechst proceeded against them in the Dutch courts to prevent them doing so. The Court held that Hoechst could prevent the importation and marketing of the medicine in the Netherlands in order to be able to exercise its exclusive rights arising under the patent. Articles 30 and 36 of the Treaty did not prevent it from so doing. That being so, it was immaterial that the compulsory licence had contained an export prohibition.

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SECTION XIV: PARLIAMENTARY SCRUTINY OF EC LEGISLATION

14.1 Parliament was in session for 12 weeks. The House of Commons Select Committee on European Legislation considered 317 documents and recommended 43 of those for further consideration by the House. 7 debates were held on the floor of the House covering a total of 20 documents. 6 debates were held in Standing Committee covering 13 documents.

14.2 The House of Lords Select Committee on the European Communities considered 345 documents and recommended 56 for further scrutiny. 7 reports covering 10 documents were presented to the House for debate and 3 reports covering 3 documents were presented to the House for information. 6 debates on the Committee's reports covering 29 documents were held in the House of Lords.

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ANNEX A

MEETING OF THE EUROPEAN COUNCIL

<u>Date</u>	<u>Location</u>	<u>UK Minister attending</u>
2-3 December	Luxembourg	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

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
8 July	Economic and Finance	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
15-16 July	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food
22-23 July	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
6 August	Steel	Norman Lamont Esq MP Minister of State for Industry
16-17 September	Agriculture	Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
17-18 September	Budget	Ian Gow Esq TD MP Minister of State to the Treasury
27 September	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food

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MEETINGS OF THE COUNCIL OF MINISTERS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
27 September (Cont'd)		Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office
1 October	Foreign Affairs	Malcolm Rifkind Esq MP Minister of State Foreign and Commonwealth Office
7 October	Internal Market	Rt Hon Paul Channon MP Minister for Trade
21-22 October	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
21-22 October	Foreign Affairs	Malcolm Rifkind Esq MP Minister of State Foreign and Commonwealth Office Timothy Eggar Esq MP Parliamentary Under-Secretary of State, Foreign and Commonwealth Office Rt Hon Paul Channon MP Minister for Trade
28 October	Economic and Finance	Ian Gow Esq TD MP Minister of State to the Treasury
29 October	Steel	Rt Hon Peter Morrison MP Minister of State for Industry
4 November	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office

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MEETINGS OF THE COUNCIL OF MINISTERS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
4 November	Development	Rt Hon Timothy Raison MP Minister for Overseas Development
11 November	Energy	Rt Hon Peter Walker MP Secretary of State for Energy
14 November	Transport	Rt Hon Nicholas Ridley MP Secretary of State for Transport Lord Caithness, Parliamentary Under-Secretary of State for Transport
18 November	Economic and Finance	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
18-19 November	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
25-26 November	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
26-27 November	Budget	Hon Peter Brooke MP Minister of State to the Treasury
28 November	Environment	Hon William Waldegrave MP Minister of State for the Environment, Countryside and Local Government
5 December	Labour and Social Affairs	Rt Hon Kenneth Clarke QC MP Paymaster General George Walden Esq, MP Parliamentary Under-Secretary of State for Education and Science

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MEETINGS OF THE COUNCIL OF MINISTERS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
9 December	Economic and Finance	Hon Peter Brooke MP Minister of State to the Treasury
10 December	Research	Geoffrey Pattie Esq MP Minister of State for Industry and Information Technology
9-10 December	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
11-12 December	Budget	Hon Peter Brooke MP Minister of State to the Treasury
16-17 December	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food Rt Hon Lord Gray of Contin PC Minister of State, Scottish Office
17 December	Foreign Affairs	Rt Hon Paul Channon MP Minister for Trade
19 December	Agriculture	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food
20 December	Fisheries	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food

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OTHER MEETINGS

<u>Date</u>	<u>Session</u>	<u>UK Ministers attending</u>
20-21 September	Informal Meeting of Economic and Finance Ministers	Rt Hon Nigel Lawson MP Chancellor of the Exchequer
23-24 September	Informal Meeting of Agriculture Ministers	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food Rt Hon John Selwyn Gummer MP Minister of State Ministry of Agriculture, Fisheries and Food
24 September	Informal Meeting of Employment Ministers	Rt Hon Lord Young Secretary of State for Employment
17-18 October	EC/ASEAN Ministerial Meeting on Economic Matters	Rt Hon Paul Channon MP Minister for Trade
23 October	Informal Meeting of Research Ministers	Sir Robin Nicholson F. Eng, FRS Chief Scientific Adviser representing the Minister of State for Industry and Information Technology
11-12 November	EC/Central American Meeting of Foreign Ministers	Rt Hon Sir Geoffrey Howe QC MP Secretary of State for Foreign and Commonwealth Affairs Rt Hon The Baroness Young Minister of State Foreign and Commonwealth Office
20 December	Standing Employment Committee	Peter Bottomley Esq, MP Joint Parliamentary Under-Secretary of State

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ANNEX B

MEETINGS OF THE INTER-GOVERNMENTAL CONFERENCE AND OTHER
IGC RELATED MEETINGS

IGC MEETINGS (7)

9 September
21/22 October
11 November
19 November
25/26 November
30 November/1 December (conclave)
16 December

OTHER MINISTERIAL MEETINGS AT WHICH IGC ISSUES WERE DISCUSSED (5)

20/21 September - ECOFIN (Economic and Finance Council)
26/27 October - informal Foreign Ministers
28 October - ECOFIN
18 November - ECOFIN
2/3 December - European Council

PREPARATORY GROUP MEETINGS (13)

30 August
2/3, 17, 24, 30 September
7/8, 14/15, 30/31 October
5/6, 14, 21/23 November
6, 12 December

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OTHER OFFICIAL MEETINGS (5)

10, 26 October (Monetary Committee)

9 November (Monetary Committee)

28 November (Legal Experts)

10 December (Legal Experts)

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MAJOR PROPOSALS ADOPTED

CUSTOMS AND INDIRECT TAXATION

Council Directive 85/362 - Seventeenth Council Directive on the harmonisation of the laws of the member states relating to turnover taxes - Exemption from value added tax on the temporary importation of goods other than means of transport.

Council Regulation 3632/85 - defining the conditions under which a person may be permitted to make a customs declaration.

Council Regulation 3822/85 - amending Regulation 918/83 setting up a Community system of relief from customs duty.

Council Directive 85/576 - amending Directive 78/1035 on the exemption from taxes of imports of small consignments of goods of a non-commercial character from third countries.

AGRICULTURE AND FISHERIES

Council Regulation 3643/85 - concerning the import system applicable to certain non-member countries in the sheepmeat and goatmeat sector in 1986 and subsequent years.

Council Regulation 3523/85 - extending annual premium payments to goats in certain specified areas of the Community from 6 January 1986.

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AGRICULTURE AND FISHERIES (Cont'd)

Council Regulation 3524/85 - extending annual premium payments to untupped shearlings of the Herdwick breed in the Lake District of the United Kingdom from 6 January 1986.

Council Regulation 3789/85 - amending the Community rules so Spain and Portugal can apply the European Community sheepmeat regime from the date of their accession, 1 March 1986.

Council Regulation 2089/85 - establishing general rules relating to the system of minimum import prices for dried grapes.

Council Regulation 2939/85 - amending Regulation 1320/85 on temporary measures for production aid to processed tomato products by revising processing quota arrangements.

Council Regulation 3582/85 - opening a community import quota for 1986 for 2,250 tonnes of buffalo meat.

Council Regulation 3583/85 - opening a community import quota for 1986 for 29,800 tonnes of beef.

Council Regulation 3772/85 - amending regulation 1678/85 fixing the conversion rates to be applied in agriculture.

Council Regulation (EEC) No 3720/85 - increasing the TAC for Bristol Channel plaice and amending the quotas for monkfish and megrim.

Council Regulation (EEC) No 3721/85 - implementing on a provisional basis to 25 January, 1986 TACs and quotas for the existing 10 member states.

Council Regulation (EEC) No 3777/85 - modifying 1986 TACs and quotas to allow for the accession of Spain and Portugal.

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AGRICULTURE AND FISHERIES (Cont'd)

Council Regulation (EEC) No 3778/85 and 3779/85 - concerning member states' fishing in Spanish and Portuguese waters.

Council Regulation (EEC) No 3602/85 and 3603/85 - setting fish guide prices for 1986

Council Regulation (EEC) No 3723/85 - revising the control measures concerning fishing by member states.

Council Regulation (EEC) No 3730/85 - implementing on a provisional basis to 25 January, the 1986 agreement with Norway.

Council Regulation (EEC) No 3725/85 - concerning the 1986 agreement with Sweden.

Council Regulation (EEC) No 3732/85 - concerning the 1986 agreement with the Faroe Islands.

Council Regulation (EEC) No 3551/85 - allocating 1986 catch quotas in Canadian waters.

Council Regulation (EEC) No 3783/85 - allocating 1986 catch quotas in Greenland waters.

Council Regulation (EEC) No 3729/85 - concerning licences for third country vessels in the waters of French Guyana.

Council Directive 85/574 - amending Directive 77/93 on protective measures against the introduction into member states of organisms harmful to plants or plant products.

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AGRICULTURE AND FISHERIES (Cont'd)

Council Directive 85/585 - amending Directive 64/54 on preservatives authorised for use in foodstuffs intended for human consumption.

Council Directive 85/358/EEC - Supplementing Directive 81/602/EEC concerning the prohibition of certain substances having a hormonal action and of any substances having a thyrostatic action.

Council Directive - supplementing Directive 81/602 concerning the prohibition from 1 January 1988, of the use in livestock farming of certain substances having a hormonal action and the restriction of others to therapeutic use only.

Council Directive 85/397 - on health and animal health problems affecting intra-Community trade in heat treated milk.

Council Directive 85/511 - control measures dealing with foot and mouth disease.

Council Directive 85/571 - extending the trade rules in relation to enzootic bovine leukosis.

Council Decision 85/212 - on Community financial assistance in relation to foot and mouth disease.

Council Decision 85/359 - relating to point 2 of the voluntary restraint agreement on mutton, lamb and goatmeat between the European Economic Community and Hungary.

Council Decision 85/431 - relating to point 2 of the voluntary restraint agreement on mutton, lamb and goatmeat between the European Economic Community and Argentina.

AGRICULTURE AND FISHERIES (Cont'd)

Commission Regulation 1943/85 - amending Regulation 95/69 which sets out detailed rules on the marketing of hen eggs in shell. The latest regulation describes the requirements for the use of special marketing terms such as 'free-range' eggs and sets out criteria for the production of such eggs.

Commission Regulation 2229/85 - temporarily banning the issue of import certificates for frozen and other processed sour cherries.

Commission Regulation 2752/85 - amending Regulation 1626/85 on minimum import prices for sour cherries, setting separate minimum import prices for stone-in and stoned fruit.

Commission Regulation 2893/85 - amending the UK direct sales and wholesale national reference quantities under the milk supplementary levy system.

Commission Regulation 2967/85 - laying down detailed rules for the application of the Community scale for grading pig carcasses.

Commission Regulation (EEC) 3378/85 - amending Regulation (EEC) No 3007/84 laying down detailed rules for the application of the premium for producers of sheepmeat.

Commission Regulation 3655/85 - laying down detailed rules for the application of the import arrangements provided for by Regulations 3583/85 and 3582/85 in the beef and veal sectors.

Commission Decision 85/446/EEC - concerning on-the-spot inspections to be carried out in respect of intra-Community trade in fresh meat.

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SCIENCE AND TECHNOLOGICAL RESEARCH

Council Decision 85/372 - on a Definition Phase for a Community action in the field of telecommunications technologies - R&D programme in advanced communications technologies for Europe (RACE).

SECURITIES

Council Directive 85/ - on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

Council Directive 85/ - amending the Directive of 11 May 1960 for the implementation of Article 67 of the Treaty.

CONSUMER AFFAIRS

Council Directive 85/374 - on the approximation of laws, regulations and administrative provisions of the member states concerning liability for defective products.

Council Directive 85/ - on doorstep selling.

STEEL

Commission Decision 3484/85/ECSC - establishing Community rules for aid to the steel industry.

Commission Decision 3485/85/ECSC - on the extension of the system of monitoring and production quotas for certain products of undertakings in the steel industry.

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ENVIRONMENT

Commission Directive 85/469 - on adapting to technical progress Council Directive 84/631 on the supervision and control of the transfrontier shipment of hazardous waste.

Council Directive 85/444 - amending Council Directive 83/129 concerning the importation of skins of certain seal pups and products derived therefrom.

Council Directive 85/467 - amending Directive 76/769 on the approximation of the laws of the member states relating to restrictions on the marketing and use of certain dangerous substances and preparations (PCBs/PCTs).

Council Decision 85/ - on the marine pollution information system.

TRANSPORT

Council Regulation (EEC) No 3820/85 of 20 December 1985 on the harmonisation of certain social legislation relating to road transport.

Council Regulation (EEC) No 3821/85 of 20 December 1985 on recording equipment in road transport.

ENERGY

Council Regulations (EEC) No 3820/85 of 20 December 1985 on the harmonization of certain social legislation relating to road transport.

Council Regulations (EEC) No 3821/85 of 20 December 1985 on recording equipment in road transport.

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ENERGY (cont'd)

Council Directive 85/536/EEC on crude-oil savings through the use of substitute fuel components in petrol. -

Council Regulation 3639/85 on a programme of support for technological development in the hydrocarbons sector.

Council Regulation 3640/85 on the promotion, by the granting of financial support, of energy demonstration projects.

HEALTH

Council Directive 85/443 - on the mutual recognition of diplomas, certificates and other evidence of formal qualification in pharmacy, including measures to facilitate the effective exercise of the right of establishment relating to certain activities in the field of pharmacy.

SOCIAL AFFAIRS

Council Regulation 3823/85, amending, on account of the accession of Spain and Portugal, Regulation (EEC) No 2950/83 on the implementation of Decision 83/516/EEC on the tasks of the European Social Fund.

Council Regulation 3824/85, amending, with a view to its extension to cover self-employed persons, Regulation (EEC) No 2950/83 on the implementation of Decision 83/516/EEC on the tasks of the European Social Fund.

Council Decision 85/568 amending, on account of the accession of Spain and Portugal, Decision 83/516/EEC on the tasks of the European Social Fund.

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ECONOMIC, MONETARY AND BUDGETARY

"Council Decision - adopting the Annual Report on the economic situation in the Community (1985) and laying down economic policy guidelines for 1986"

REGIONAL POLICY

Council Regulation 3634/85 - on the establishment of specific Community regional development measures in 1985 and amending Regulation 1787/84.

Council Regulation 3635/85 - amending Regulation 2617/80 instituting a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the shipbuilding industry.

Council Regulation 3636/85 - amending Regulation 219/84 instituting a specific Community regional development measure contributing to overcoming constraints on the development of new economic activities in certain zones adversely affected by restructuring of the textile and clothing industry.

Council Regulation 3637/85 - amending Regulation 2619/80 instituting a specific Community regional development measure contributing to the improvement of the economic and social situation of the border areas of the Republic of Ireland and Northern Ireland.

Council Regulation 3638/85 - instituting a specific Community regional development measure contributing to the development of new economic activities in certain zones affected by the implementation of the Community fisheries policy.

Council Regulation 3641/85 - amending Regulation 1787/84 on the European Regional Development Fund.

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ANNEX D

MAJOR MINISTERIAL SPEECHES ON COMMUNITY TOPICS

<u>Date</u>	<u>Speaker</u>	<u>Occasion</u>
2 July	Lord Lucas of Chilworth Parliamentary Under-Secretary of State for Trade and Industry	London Chamber of Commerce
4 July	Rt Hon Sir Geoffrey Howe QC, MP Secretary of State for Foreign and Commonwealth Affairs	European Movement "Enterprise Europe" British Council London
9 July	Rt Hon Michael Jopling MP Minister of Agriculture, Fisheries and Food	Home-Grown Cereals Authority Lunch, London
10 September	Hon William Waldegrave MP Minister of State for the Environment, Countryside and Local Government	Deutsche Gesellschaft fur Auswartige Politik, Hamburg
3 October	Rt Hon Sir Geoffrey Howe QC, MP Secretary of State for Foreign and Commonwealth Affairs	"Europe our Future" Speech in Bonn
7 October	Rt Hon John Selwyn Gummer MP Minister of State, Ministry of Agriculture, Fisheries and Food	International Council for Exploration of the Sea
14 October	Rt Hon Sir Geoffrey Howe QC, MP Secretary of State for Foreign and Commonwealth Affairs	Meeting of EUREKA Finance Ministers in London
28 October	Rt Hon Paul Channon MP Minister for Trade	Wilton Park Conference
29 October	Rt Hon Lord Young Secretary of State for Employment	CBI "Europe for business" Conference
30 November	Rt Hon Paul Channon MP Minister for Trade	European Movement
4 December	Hon William Waldegrave MP Minister of State for the Environment, Countryside and Local Government	University Association for Contemporary European Studies (UACES) Conference, London

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ANNEX E

MAJOR TREATIES AND AGREEMENTS
SIGNED BY THE COMMUNITY

1. Co-operation agreement between the European Community and Pakistan.

Signed at Brussels on 23 July 1985.

2. Co-operation agreement between the European Community and Norway on a research and development programme in the field of metals and mineral substances.

Signed at Brussels on 19 September 1985.

3. Co-operation agreement between the European Community and Central America.

Signed at Luxembourg on 12 November 1985.

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ANNEX F

LIST OF EUROPEAN COURT OF JUSTICE CASES IN WHICH THE UNITED KINGDOM HAS
BEEN INVOLVED

(i) Cases referred to the European Court from United Kingdom
Courts and Tribunals.

Case 192/85 Newstead v Department of Transport and HM Treasury
(Civil Service Pension Scheme)

Case 377/85 Burchell v The Adjudication Officer
(Family benefits)

Case 384/85 Mrs Clarke v Chief Adjudication Officer
(Disablement allowance)

Case 387/85 Hinde v ILEA and Secretary of State for Education and
Science
(Student grant)

ii. Cases in which Observations have been submitted by the United
Kingdom

Case 102/85 Steinrucke
(Free movement of workers)

Case 123/85 La Pieve
(Judgment Convention)

Case 144/85 SNCF Luxembourgeois
(Rail transport)

Case 198/85 Carron
(Judgments Convention)

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Case 237/85 Rummler
(Equal pay)

Case 266/85 Shenavai
(Judgments Convention)

Case 268/85 Bozdog
(Free movement of workers in relation to EEC/Turkey Agreement)

(iii) Cases in which the United Kingdom is a primary party

Case 261/85 Commission v United Kingdom (Pasteurised Milk)

Case 353/85 Commission v United Kingdom (Exemption from VAT in respect of items for medical care: spectacles)

Case 416/85 Commission v United Kingdom (VAT - Zero Rates)

Case 428/85 Commission v United Kingdom (Differential pricing of milk for exports)

Case 287/85 United Kingdom v Commission (Migration)

Case 305/85 United Kingdom v Commission (Sheepmeat)

Case 346/85 United Kingdom v Commission (Milk pricing disallowance)

Case 347/85 United Kingdom v Commission (Disallowance in respect of over fishing)

(iv) Direct Actions in which the United Kingdom has intervened

Cases 114, 125 to 129/85 "Woodpulp" cases

Case 181/85 France v Commission (Alcohol)

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Case 213/85 Commission v Netherlands (State aid)

Case 84/85 United Kingdom v Commission (European Social Fund)
(commenced in the previous period).

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ANNEX G

UNITED KINGDOM TRADE WITH THE EUROPEAN COMMUNITY

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

Importance of Trade with the European Community

In 1985 United Kingdom total trade (exports plus imports) with other countries of the European Community accounted for 46 per cent of our overseas trade compared with shares of 45 per cent in 1984 and 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 markets are members of the European Community.

Trade Performance with the European Community

In 1985 United Kingdom total trade with other countries of the European Community amounted to £73 billion compared with £65 billion in 1984. The ratio of exports to imports was 96 per cent. This is the highest figure since the peak years of 1980 and 1981 and is markedly higher than through the seventies.

By Commodity

In 1985 exports of oil accounted for 30 per cent of our exports to other member states. The balance of trade in fuels reached a record level of £9.1 billion. This surplus was more than off-set by deficits on such other areas of the trade account as manufactures and food, beverages and tobacco so that on all visible trade there was a deficit of £1.6 billion, the smallest deficit since 1982.

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	2.89	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
1985	35.9	37.5	-1.6	96	2.3	4.8	-2.5	48	1.2	1.3	-0.1	92

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	-0.1	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	
1985	11.3	2.2	+9.1	517	20.6	28.3	-7.7	71	

Source: Department of Trade and Industry.

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