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Note: Sterling/ECU conversions shown in this publication are at the 30 June 1998 market rate of £1 = 1.5218 ecu.

Foreword by the Prime Minister

This White Paper covers developments in the European Union from January to June 1998 — the six months when the United Kingdom held the Presidency of the Council of Ministers.

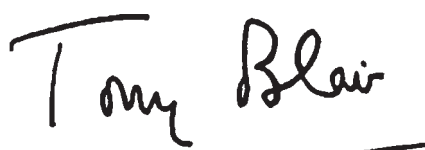
Our Presidency came at a crucial time for the Union. Enlargement and the launch of the single currency were at the top of the agenda. But we also wanted to give impetus to the many aspects of EU co-operation which are relevant to the day to day lives of ordinary people throughout Europe: jobs and prosperity, fighting crime, protecting our shared environment, and working together in our foreign policy so that the world is a safer place to live.

With that in mind, we set ourselves a challenging list of objectives for the Presidency. They included:

- a smooth launch for **Economic and Monetary Union**;
- promotion of **economic reform** to make Europe innovative and successful for the 21st Century;
- a flying start for the **enlargement** of the EU;
- accelerating our efforts to work together in the fight against **organised crime**, and to protect our **environment**;
- effective **foreign policy co-ordination** so that the Union can respond quickly and decisively to world events.

This White Paper describes how these objectives were pursued and the results that were achieved.

I believe that we can be proud of our Presidency. We were able to take forward policies of direct benefit to the people of the United Kingdom and the European Union. We demonstrated that the interests of the United Kingdom and the interests of the European Union are complementary, not mutually exclusive. And we showed how the Government's policy of co-operation, rather than confrontation is good for Britain and good for Europe.



Tony Blair

1. Summary

1.1 The following is a summary of progress made during the United Kingdom Presidency. Firstly against the list of objectives set in six key areas highlighted in the Foreword.

- **Economic and Monetary Union.** In March the European Monetary Institute and the Commission reported to the Council on the progress made by member states in the fulfilment of their obligations regarding economic and monetary union. On the basis of these reports and a recommendation from the Commission, ECOFIN assessed which member states fulfilled the necessary conditions for adoption of the single currency and recommended its findings to the Council. On 2 May the Council — meeting in the composition of Heads of State or Government — unanimously decided that Belgium, the Federal Republic of Germany, Spain, France, Eire, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland fulfilled the necessary conditions for the adoption of the single currency on 1 January 1999. (Chapter 4).
- **Economic Reform.** The European Council in Cardiff set out the essential elements of the European Union's strategy for further economic reform to promote growth, prosperity, jobs and social inclusion. Heads of State and Government agreed conclusions on:
 - National Employment Action Plans;
 - the need for future strengthening of economic guidelines to co-ordinate national economic policies;
 - the good progress made to modernise the Single Market and the recognition that more work still needs to be done; and
 - the need for member states and the Community to work together to create conditions for fostering and encouraging entrepreneurs and small businesses. (Chapters 3, 5 and 7).
- **Enlargement.** The European Conference was launched on 12 March and the formal Accession Process on 30 March to prepare the 10 Central European applicants and Cyprus for EU membership. The European Strategy for Turkey was agreed at the Cardiff European Council. (Chapter 6).
- **Organised Crime.** Continued implementation of the EU action plan on organised crime, endorsed by the Amsterdam European Council, was a major priority during the six

months. This included work on preparing for Europol to take up its activities. Following the final ratification, the Europol Convention will enter into force on 1 October 1998. EU Justice and Interior Ministers held a joint on 28 May meeting with their counterparts from the applicant countries to approve the pre-accession pact on organised crime. This fulfilled another of the recommendations of the action plan on organised crime. The pact's approval, six months ahead of the timetable set by the Amsterdam Council, represented a significant achievement. In line with the report approved by the Council in March calling for greater openness in JHA matters, the JHA Council on 28 May held a wide-ranging debate on organised crime, which was open to the press and the public at large. The debate gave Ministers an opportunity to highlight areas to which their countries attached particular importance. (Chapter 14).

- **Environment.** Following a request at the Luxembourg European Council, the Commission produced a strategy for integrating the environment into other policy areas, which proposed mechanisms for establishing an on-going process of integration within the EU, and emphasised proposals for greening the key policies of Agenda 2000 and the Community's strategy for implementing the Kyoto Protocol on climate change. The Cardiff European Council welcomed this, and agreed positive conclusions on future action which should help ensure an on-going process of integration. Good progress was made in the field of Environment and Transport where Council conclusions were adopted unanimously by Transport and Environment Ministers in Luxembourg in June. Progress was also made on a number of important issues and in particular, the Environment Council reached agreement on how the EU would share out between member states its legally binding target from Kyoto, on five directives to reduce air pollution, and on a directive on zoos to promote their conservation role and animal biodiversity. (Chapter 9).
- **Common Foreign and Security Policy.** The UK Presidency carried forward the EU's Common Foreign and Security Policy, addressing the challenges of a fast-moving international agenda, while at the same time fully respecting the rights and concerns of individual member states. The EU was active in the promotion of peace and the alleviation of suffering in the world's crisis spots. To give just one example, we worked hard to promote stability in the Western Balkans, taking action in support of moderate forces in Bosnia-Herzegovina and Montenegro, while intensifying pressure on the Federal Republic of Yugoslavia to halt its repression in Kosovo. We also broke new ground in agreeing a code of conduct on arms exports, establishing common political standards against which license applications will be judged by all partners. (Chapter 13).

1.2 Other key developments during the UK Presidency are described below.

- **EC Budget.** The Commission published its Preliminary Draft Budget (PDB) for 1999 on 8 June. The Commission's proposals are well within the Financial Perspective ceilings on expenditure and the Own Resources ceiling for 1999 of 1.27 per cent of Community GNP. In May the Commission proposed a Preliminary Draft Supplementary and Amending Budget for 1998 mainly to budgetise the 1997 budget underspend and to provide additional payment appropriations for the structural funds and assistance to Eastern Europe. Formal Council consideration of the Commission's proposals is pending. (Chapter 4).
- **Financial Management.** The Annual Report of the European Court of Auditors (ECA) was considered in ECOFIN and a recommendation was made to the European Parliament that discharge be granted. However, the European Parliament, at its March plenary session, decided to postpone discharge. In May ECOFIN considered for the first time member states responses to references to them in the ECA report. The May ECOFIN also issued conclusions on the Commission's Ninth annual report on financial management and took note of a further SEM2000 (Sound and Efficient Management) progress report. The Cardiff European Council noted the importance of strengthening the fight against fraud and promoting sound and efficient management. (Chapter 4).
- **Employment Issues.** The UK used the Presidency to promote a common understanding throughout the Community of the importance of employability. Member states submitted National Employment Action Plans to the Cardiff European Council. The plans set out the policies of member states which are intended to implement the Employment Guidelines agreed at the Luxembourg European Council in November 1997. (Chapter 5).
- **Culture and Audiovisual Issues.** Intergovernmental agreement was reached on the European Cities of Culture for 2001–4, and on a new Community action for 2005–19 for the nomination of an annual European Capital of Culture. The Culture/Audiovisual Council agreed a Recommendation on the protection of minors and human dignity from harmful material in the new audiovisual and information services. Important action was also taken during the UK Presidency to consider the impact of digital technologies on the audiovisual sector, and a major conference on the issue moved forward the debate in April. The economic and employment dimensions of the cultural and creative industries were also promoted through a major conference held in May. (Chapter 5).

- **External Relations.** The second World Trade Organisation Ministerial Conference (coinciding with the 50th Anniversary of the General Agreement on Tariffs and Trade) was held in May. A negotiating mandate for the successor to the fourth Lomé Convention was agreed on 29 June. The EU also held summit meetings with Japan, China, Canada, Russia and the United States, the latter reaching agreement on handling US legislation regarding Cuba and establishing agreement for a Transatlantic Economic Partnership. Negotiations made good progress for a trade agreement with South Africa: Heads of Government agreed with President Mandela at Cardiff that we should aim to conclude this in the Autumn.(Chapter 6).
- **Single Market.** The Commission's Action Plan provided the framework for efforts to improve the operation of the Single Market. There was progress on implementation of both legislative and non-legislative aspects of the Action Plan, with member states improving their performance on transposition of directives, initiatives on more effective enforcement, and agreement to expand the scope of the Commission's Single Market Scoreboard to make it a more effective benchmarking tool, and work to improve weaker areas of the single market. There was political agreement on a regulation and resolution to safeguard the free movement of goods in the EU. Three out of four priority pieces of legislation were adopted, and significant progress was made on the fourth. (Chapter 7).
- **Agriculture and Food.** The Agriculture Council agreed a number of important measures during the UK Presidency, notably in March when the ban on beef exports was partially lifted. Council Decision 98/256 allows the export of beef and beef products from Northern Ireland under the Export Certified Herds Scheme (ECHS) if certain conditions are met. Other developments in the Council included agreement to the annual price-fixing round in June. That same Council also concluded reforms to the banana regime (to ensure WTO compatibility) and reforms to the olive oil and tobacco regimes. There was a special Agriculture Council on 31 March during which the Commission put forward its formal proposals for the reform of the Common Agricultural Policy under Agenda 2000. The package includes proposals for reform of the arable, beef and dairy sectors; an integrated legal framework for rural development and agri-environment measures; measures to be applied horizontally to all direct payments to farmers and a new CAP finance regulation. Interim conclusions on these were agreed at the May Council and negotiations will continue under the Austrian Presidency. (Chapter 8).

- **Fisheries.** The Fisheries Council agreed a series of conservation measures. The protection of the quota system was extended to cover more species in the North Sea and new measures were introduced to conserve sensitive herring stocks. Agreement was also finally reached to phase out high seas drift nets, which will benefit dolphins. Progress was made towards agreement of improved Community-wide enforcement under the Common Fisheries Policy. (Chapter 8).
- **Transport.** In air transport, two mandates were adopted, authorising the Commission to start negotiations towards the establishment of a European Aviation Safety Authority, and for Community membership of EUROCONTROL. Council conclusions were reached on NOx emissions from jet aircraft, and broad agreement was reached on a draft directive on use of re-certificated civil jet aircraft. An agreement was signed on a European contribution to a Global Navigation Satellite System. There was discussion of the Commission's negotiations on proposals for a land transport agreement with Switzerland, and Presidency conclusions reflecting these discussions were drawn. Broad agreement was reached on a draft directive on roadside inspection of commercial vehicles. There was discussion of the Commission proposal for opening of the rail freight market. In maritime transport, there was broad agreement on a directive requiring safety inspection of passenger ferries. There was also discussion of the Commission's Green Paper on ports and maritime infrastructure, and agreement that priority should be given to further work on infrastructure charging and financing, and on a regulatory framework for port services. More generally, the Commission accepted an invitation from the UK Presidency to produce a report on transport safety across all modes in the EU. (Chapter 9).
- **Industry, Energy and Consumer Issues.** The Cardiff European Council adopted conclusions calling on member states to share best practice in addressing the problem of the century date change for computer systems, and inviting the Commission to report on progress before the Vienna Council. Industry Ministers agreed on the importance of addressing competitiveness at the European level and identified a number of key factors in achieving this. A regulation on new rules on aid to shipbuilding and the Injunctions Directive were adopted, and other important developments included common positions on common rules for the internal market in natural gas and a directive on the sale of consumer goods and associated guarantees. (Chapter 10).

- **EU Funding.** This period heralded the start of operating the extension of programmes, previously agreed, into 1998 and 1999. Following the Commission's publication, on 18 March, of the draft regulations of the Structural and Cohesion Funds for the years 2000 to 2006 the emphasis was on negotiations on the future of Structural Funds from the year 2000. Additionally the agreement of the UK's Objective 4 Programme was significant. (Chapter 11).
- **Better Regulation.** Work to achieve better EU regulation was an important feature of the UK Presidency (Chapter 12); this was reflected in the positive endorsement of better regulation by Heads of State and Government at the Cardiff European Council. At this meeting, the European Council:
 - highlighted the importance of subsidiarity and better regulation, calling on the EU institutions and the member states to work together to observe these principles;
 - asked the Commission to co-ordinate the sharing of best regulatory practice, on the basis of contributions by the member states;
 - invited the Commission to press ahead with its Simpler Legislation for the Internal Market (SLIM) initiative in all areas of single market legislation;
 - welcomed the Commission's establishment of a pilot test panel of businesses to improve consultation on new regulatory proposals, and encouraged the Commission to develop its business impact assessment system; and
 - invited the Commission to draw up a timetable for action, in the light of the recommendations in the Business Environment Simplification Task Force (BEST) report, to assess the extent to which current policies encourage entrepreneurship.
- **Justice and Home Affairs.** The JHA Council, along with work on organised crime, also gave high priority to the need for measures to counter a massive influx of migrants from Iraq and the neighbouring region. An Action Plan was agreed early on in the UK Presidency and priority was then given to its implementation. With the Amsterdam Treaty due to be implemented in early 1999, the Council took forward discussion on the incorporation of the Schengen acquis into the framework of the European Union. (Chapter 14).

2. Presidency Organisation and Events

2.1 The United Kingdom's Presidency of the Council of Ministers ran from 1 January to 30 June 1998. UK Ministers chaired Council meetings and guided them towards conclusions. They were also responsible for representing the Council to the European Parliament and other EU institutions. At the European Parliament this involved 20 visits by UK Ministers including the Prime Minister, as well as 73 appearances by UK Ministers and officials at European Parliamentary Committees and other events. The UK also chaired summit meetings with non-EU states and represented the EU at Ministerial and senior official level meetings with regional and international organisations.

2.2 The Prime Minister chaired three EU meetings at the level of Heads of State and Government during the UK's Presidency:

- **The European Conference**, 12 March in London (attended by all the Heads of State and Government from all the applicant countries except Turkey);
- **The Special European Council on Economic and Monetary Union**, 2 May in Brussels; and
- **The European Council**, 15–16 June in Cardiff.

2.3 In addition to the programmed Council meetings in Brussels and Luxembourg, and the meetings described above, UK Ministers chaired the following meetings:

8 January	Visit of the College of Commissioners,	London
12 January	EU/Japan Summit	London
29–30 January	Informal meeting of JHA Ministers	Birmingham
13–15 February	Informal meeting of Internal Market Ministers	Cambridge
12–13 March	Informal meeting of Education and Social Affairs Ministers	London
13–14 March	Informal meeting of Foreign Ministers	Edinburgh

15–17 March	Informal meeting of Culture and Audiovisual Ministers	Macclesfield
20–22 March	Informal meeting of ECOFIN Ministers	York
4 April	Meeting of Culture Ministers	Birmingham
6–8 April	European Audiovisual Conference	Birmingham
24–26 April	Informal meeting of Environment and Transport Ministers	Chester
29 April	EU Troika Gulf Co-operation Council Foreign Ministers Meeting	London
5–6 May	Meeting of Ministers for Women’s Affairs	Belfast
10–12 May	Informal meeting of Agriculture Ministers	Newcastle
14 May	EU/Canada Summit	London
15 May	EU/Russia Summit	Birmingham
18 May	EU/US Summit	London
5 June	EuroMed Foreign Ministers meeting	Palermo
8–9 June	Informal meeting of Spatial Planning and Regional Policy Ministers	Glasgow

Presidency Logo

2.4 The UK’s Presidency logo was designed by 36 children from across the EU. The children worked in pairs (one child from the UK with one from another member state) to create 15 stars which represent the 15 member states.

Youth Projects

2.5 In order to help to bring Europe closer to the people, the Government organised a number of projects aimed at getting young people more involved in the Presidency. A Fashion Show was held on the eve of London Fashion Week (20 February) for young designers from across the EU. A schools and youth groups competition was run, to award the best European partnership projects. The FCO ran a competition for 11–15 year olds called “Ambassador for a Day” which gave 60 young prize winners the chance to “be” someone with an interesting and exciting job somewhere else in Europe. BBC Newsround ran a series of special programmes covering the competition.

Special Events

2.6 Hundreds of events celebrating the Presidency were organised across the UK by non-governmental organisations (NGOs) and Government Departments. Of particular note was the People’s Europe 98 Conference, held in London in the run-up to the Cardiff European Council. This involved over 1,100 representatives of NGOs, trade unions, small business, local government, the voluntary sector and academia meeting to debate the future of Europe. The Foreign Secretary and other UK Ministers attended to hear and respond to the outcome of discussions, and a detailed report was made to the Cardiff European Council.

2.7 Other important events in different sectors are covered elsewhere in the relevant subject Chapters.

3. European Councils

Special EMU Council, Brussels

3.1 On 1–3 May there was a special meeting of Heads of State and Government in Brussels to decide which member states were going to participate in Stage 3 of Economic and Monetary Union (EMU) from 1 January 1999. On the recommendation of ECOFIN, the European Council agreed that Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain would be the first to participate in the single currency, and to nominate members of the European Central Bank executive board. Further information can be found in the declaration which issued at the end of the Council. See Chapter 4 also.

Cardiff European Council

3.2 The European Council met in Cardiff on 15-16 June. Nelson Mandela, President of South Africa, attended as an observer for part of the Council. The Council agenda had four main themes:

- economic reform and employment;
- enlargement and the necessary accompanying policy reforms;
- the future development of the EU; and
- foreign policy and external issues.

The European Council

- set out the essential elements of the EU's strategy for further economic reform to promote growth, prosperity, jobs and social inclusion;
- identified practical ways of bringing the Union closer to people through greater transparency, environmental integration and stepping up the fight against drugs and organised crime;
- established guidelines and a time frame for further negotiations on Agenda 2000;
- reviewed other progress taken in developing the Union and its external relations, and;
- launched a longer-term debate on the Union's future development.

Economic Reform

3.3 Heads of State and Government agreed that economic reform is essential to the success of the single currency and the ability of member states to compete in the global market-place. The following conclusions were agreed:

- that National Employment Action plans should be implemented and that the guidelines from which they were drawn should be reviewed in time for the Vienna European Council in December 1998. See Chapter 5;
- the broad economic guidelines to co-ordinate national economic policies would need to be strengthened after January 1999. Economic policy should focus on promoting growth and employment and on securing macro-economic stability and efficient working of labour, product and capital markets. See Chapter 4;
- that good progress had been made on modernising, extending and simplifying the single market. To enable the single market to make its full contribution to competitiveness, growth and employment, still more work needs to be done. See Chapter 7;
- that member states and the Community need to work together to create conditions for fostering and encouraging entrepreneurs and small businesses. See Chapter 12.

Enlargement and Agenda 2000

3.4 Heads of Government welcomed the substantial progress in EU enlargement since their last meeting in Luxembourg in December 1997, including the Commission's communication for taking forward the European strategy to prepare Turkey for membership of the EU. They agreed that work on the Agenda 2000 package should be intensified so that political agreement can be reached no later than March 1999. See also Chapter 6.

Future of Europe

3.5 Heads of Government had a wide ranging discussion over the future development of the EU. It was agreed that the informal Heads of State and Government meeting at Pörschach in October would begin work on bringing the EU closer to people and focusing it on the issues that matter most to European citizens. It was also agreed that after the Amsterdam Treaty has been ratified by all member states, it would be necessary to look again at those institutional issues which remain unresolved, and that the Council and Commission should work to improve their efficiency, reporting back on progress made during the Austrian Presidency.

External issues

3.6 The European Council discussed EU external issues including the situation in Kosovo and the Middle East Peace Process, called for India and Pakistan to take early steps to adhere to the international non-proliferation regime, encouraged the Indonesian Government to implement economic and political reform, and underlined the need for an acceptable solution to the problems of East Timor. See also Chapter 13. The European Council welcomed the Northern Ireland Peace Agreement.

3.7 The Council welcomed the progress made in implementing the action plan on organised crime, endorsed the key elements of the EU drugs strategy for the period 2000 to 2004, and called for further work to develop a comprehensive plan of action. See Chapter 14.

3.8 Agreement was reached on the need to implement the Amsterdam Treaty provisions on integrating environmental protection into EU policies. See Chapter 9.

4. Economic, Budgetary and Monetary Matters

The Community Budget

4.1 The Commission published its Preliminary Draft Budget (PDB) for 1999 on 8 June. This proposes a budget of 96,902 million euros (£63,676 million) in commitment appropriations and 86,350 million euros (£56,742 million) in payment appropriations, respectively 6,482 million euros (£4,259 million) and 10,313 million euros (£6,777 million) below the Financial Perspective ceilings and well within the Own Resources ceiling for 1999 or 1.27 per cent of Community GNP. The PDB has been passed to the Council and European Parliament for consideration.

4.2 The Commission proposed a Preliminary Draft Supplementary and Amending Budget No 1 for 1998 on 15 May. Its two main functions are to budgetise the 1997 budget underspend of 960 million ecus (£631 million) and to provide additional payment appropriations for the structural funds and for assistance to Eastern Europe under the PHARE programme. The Council is yet to consider formally the Commission's proposal. In particular, it will wish to be convinced, on the basis of spending figures for 1998, that the additional money for the structural funds is required.

Financial Management of Community Finances

4.3 The Annual Report of the European Court of Auditors (ECA) for 1996 and the Statement of Assurance were considered by ECOFIN on 9 March and formed the basis of the recommendation to the European Parliament that discharge should be granted to the European Commission regarding its management of the budget for 1996. The discharge recommendation was accompanied, as in previous years, by detailed conclusions on aspects of the report and action to be taken by the Commission.

4.4 At its 31 March plenary session, the European Parliament decided that its decision on granting discharge should be postponed until the Commission could show it had made progress on a number of areas of particular concern. A decision on discharge is expected at the EP's December Plenary session.

4.5 The 19 May ECOFIN meeting considered the responses to references in the ECA Report received from all relevant member states. This was the first time that the responses had been considered by ECOFIN.

4.6 In May, the Commission published its Ninth Annual Report on the protection of the financial interests of the Communities and the fight against fraud, together with its work programme for 1998–99. These were considered at the 19 May ECOFIN which issued conclusions welcoming the report but noting that sustained effort was required from all of those involved in fighting fraud against the Community budget.

4.7 Under Phase III of SEM2000 (Sound and Efficient Management), aimed at strengthening partnership with member states in the management of community resources, a further report on the work of the group of Personal Representatives of Finance Ministers was produced and was considered by the May ECOFIN. The report recorded the publication of the Commission's first evaluation report. It also documented progress on other important areas including reform of the transit system and the "seventh train" amendments to the Financial Regulation aimed at improving financial control. It noted that the Commission would bring forward a discussion paper in the summer on a fundamental revision of the Financial Regulation to improve its effectiveness.

4.8 The 15–16 June Cardiff European Council noted in its conclusions the importance of strengthening the fight against fraud and promoting sound and efficient financial management, particularly in the context of enlargement.

Economic and Monetary Union (EMU)

4.9 In March, in accordance with Article 109j(1) of the Treaty, the European Monetary Institute (EMI) and the Commission reported to the Council on the progress made by member states in the fulfilment of their obligations regarding economic and monetary union, in particular, the achievement of a high degree of sustainable convergence and the compatibility of national legislation. On the basis of these reports and a recommendation from the Commission, the ECOFIN Council assessed which member states fulfilled the necessary conditions for adoption of the single currency and recommended its findings to the Council, meeting in the composition of Heads of State or Government.

4.10 On 2 May, on the basis of the ECOFIN recommendation and the opinion of the European Parliament, the Council — meeting in the composition of Heads of State or Government — unanimously decided that eleven member states fulfilled the necessary conditions for the adoption of the single currency on 1 January 1999. Belgium, Germany, Spain, France, Eire, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland will therefore participate in Stage 3 of EMU.

4.11 The 1–3 May ECOFIN also formally adopted two regulations dealing with the denominations and technical specifications of euro

coins and with the legal framework for the use of the euro during the transition period. The Finance Ministers and Central Bank Governors of participating member states also announced the bilateral conversion rates that will apply on 1 January 1999 between those currencies joining the single currency.

4.12 The Governments of participating member states, acting on a recommendation from the ECOFIN Council, agreed by common accord on the persons to be recommended as President, Vice-President and other members of the Executive Board of the European Central Bank (ECB). The ECB was established in June and began its work on preparations for Stage Three of EMU.

Economic Reform

4.13 Economic reform was one of the key areas of work taken forward.

4.14 A resolution by the 12–13 December 1997 European Council in Luxembourg set out the importance of enhanced economic policy co-ordination among euro and non-euro member states. One area identified for attention was the monitoring of member states' structural policies in labour, product and services markets.

4.15 The 20–22 March informal meeting of Economic and Finance Ministers discussed, on the basis of a Presidency paper, areas where action at the EU level could add value to the efforts member states were already making to improve the functioning of these markets. This laid the foundation for a declaration, issued by ECOFIN on 1 May. In the declaration ECOFIN ministers:

- committed themselves to play their part in implementing rapidly the national Employment Action Plans submitted by member states under the new Employment Policy Guidelines (see Chapter 5);
- emphasised the importance they attached to employment-creating growth and the structural reforms to make product, labour and capital markets more efficient. This included ensuring effective national education and training systems, encouraging entrepreneurship and improving access to venture capital funds, particularly for small and medium-sized enterprises.

4.16 ECOFIN continued to work throughout the UK Presidency on strengthening the economic reform process and preparing the groundwork for agreements reached at the 15–16 June Cardiff European Council. In addition to action on employment, the Single Market and the promotion of entrepreneurship, the European Council agreed:

- member states would produce short year-end assessments of progress they have made or intend to take to improve the functioning of their product, service and capital markets in order to facilitate the exchange of best practice;
- the 1998 Broad Economic Guidelines, with more detail devoted to structural policies than in previous years.

4.17 The Cardiff European Council also welcomed the Commission's proposals to produce two reports. One examining economic reform in sectors within its area of competence. The second looking at structural issues and policies including the degree of integration of national economies into the Single Market.

4.18 It is ECOFIN's intention that, in future, preparation of the Broad Economic Guidelines will draw on these various reports which monitor progress on economic reform.

Broad Economic Guidelines

4.19 In accordance with Article 103(2) of the Treaty, the Cardiff European Council approved a draft Recommendation for the Broad Guidelines of the Economic Policies of the member states and of the Community. The Council's recommendation sets out the main economic objectives of sustainable non-inflationary, environmentally sustainable and employment creating growth. It covers policies directed at the successful launch of the euro, price stability, sound public finances and structural reform. The guidelines will inform the monitoring of economic developments and policies in member states in the context of the multilateral surveillance exercise required under Article 103(3) of the Treaty.

Excessive Deficits

4.20 The 1 May ECOFIN decided to remove the UK along with Belgium, Federal Republic of Germany, Spain, France, Italy, Austria, Portugal, and Sweden from the list of countries which had an excessive deficit. These nine countries together with Denmark, Luxembourg, Eire, the Netherlands and Finland do not have an excessive deficit. Only Greece now has an excessive deficit. The UK's excessive deficit recommendation has therefore been abrogated.

Financial Services

4.21 A package of prudential directives which set the capital requirements for EU credit institutions and investments firms was adopted on 22 June. The package, which will maintain the international competitiveness of banks and investment houses in the EU, brings Community legislation into line with recent changes agreed by G10 banking regulators. In particular, it will permit the use of Value-at-Risk models to calculate capital requirements. It also

creates a regime for both the market risk and credit risk attached to commodities business, as well as confirming that mortgage-backed securities should be treated in the same way as mortgage loans for the calculation of credit risk. The package must be implemented by member states by 21 July 2000.

4.22 The Conclusions of the Cardiff European Council “invite the Commission to table a framework for action by the time of the Vienna European Council to improve the single market in financial services, in particular examining the effectiveness of implementation of current legislation and identifying weaknesses which may require amending legislation”.

Directive on Settlement Finality in Payment and Securities Settlement Systems

4.23 On 27 April, having agreed the amendments decided by the European Parliament on 29 January, the Council reached a common position on this directive, whose aim is to ensure that payment and securities settlement systems can continue to function in the event of a participant bank or other financial institution failing. The directive was adopted on 19 May and is to be implemented by member states by 11 December 1999.

Harmful Tax Competition

4.24 The tax package agreed by ECOFIN on 1 December 1997 progressed as follows:

- **Code of Conduct for Business Taxation**, the 9 March ECOFIN agreed conclusions establishing the Code of Conduct Group. The Group will assess tax measures that may fall within the scope of the Code. Dawn Primarolo, Financial Secretary to the Treasury, was appointed the first chair of the Group at its first meeting on 8 May.
- **Taxation of savings**, a draft directive was published by the Commission on 20 May. Its aim is to eliminate evasion of tax on cross-border payments of interest to individuals within the EC.
- **Interest and royalties**, a draft directive was published by the Commission on 4 March. It provides for the elimination of withholding taxes on payments of interest and royalties made between associated companies of different member states.

Kosovo

4.25 On 22 June a Council Regulation was adopted concerning the freezing of funds held abroad by the Governments of the Federal Republic of Yugoslavia and the Republic of Serbia.

Loans to Central and Eastern Europe

4.26 No new proposals for loans to the countries of Central and Eastern Europe came forward for approval.

Russia

4.27 Statements of support were made by ECOFIN on 5 June and at the Cardiff European Council

Fiscalis Programme (Administrative Co-operation between Indirect Tax Authorities)

4.28 The proposal for an action programme aimed at enhancing administrative co-operation arrangements between member states' indirect tax authorities was adopted in March.

Mutual Assistance Regulation 515/97

4.29 EC Regulation 515/97 became applicable from 13 March. Its purpose is to strengthen the provisions on mutual administrative assistance introduced by Council Regulation 1468/81 by setting up a computerised information exchange system called the Customs Information System (CIS).

VAT Gold Directive

4.30 Political agreement was reached on a new VAT Gold Directive following detailed negotiations throughout the UK Presidency. Prior to that, discussions had been ongoing for about six years. The Directive aims to standardise the VAT treatment of investment gold at EC level, remove current cross-border distortions of competition and reduce opportunities for fraud.

4.31 The Directive exempts investment gold in the form of gold bars and wafers and gold coins sold mainly for their gold value. There is already a simplified VAT regime for the London Bullion Market and this has been fully protected.

4.32 Formal adoption of the Directive is expected in the autumn. The date for implementation into national law has yet to be confirmed but it is expected to be 1 January 2000.

Report of the High Level Group on Tobacco and Alcohol Fraud

4.33 The report was endorsed by a joint meeting of the Heads of Customs and Indirect Tax services in April and by ECOFIN in May. Its recommendations concentrate on commercial fraud involving goods moving duty suspended and on smuggling from outside the EU, problems experienced by all Member States.

Preferential Tariff Arrangements

4.34 The May Internal Market Council agreed a response to the Commission's Communication on the management of preferential tariff arrangements. It asks the Commission to table proposals both to stem the fraud and irregularity problems from which the preference regime has suffered and to devise a more flexible solution to the immediate problem of large retrospective duty claims some EC importers face in relation to inappropriately issued origin certificates.

5. Employment, Education, Culture and other areas of Community Activity

Employment, Social Affairs, Education and Youth

5.1 The Social Affairs Council on 7 April adopted a directive extending to the UK the Part-time Work Directive, which had been adopted by the other 14 member states in December 1997 under the Agreement on Social Policy. A directive on the protection of workers from chemical agents was also adopted.

5.2 There was discussion on National Employment Action Plans, the production of which was agreed at the Special European Council in November 1997 in Luxembourg, and on the Social Affairs Council's role in assessing the plans in advance of the Cardiff European Council in June.

National Employment Action Plans (NAPs)

The Department for Education and Employment (DfEE), in co-operation with HM Treasury, the TUC, CBI and other Whitehall departments, produced, in February, the first National Employment Action Plan. The Action Plan responds to the Employment Guidelines agreed at the Luxembourg Jobs Summit in November 1997. It sets out national objectives, quantified wherever possible and with appropriate deadlines for achieving results.

The UK Presidency steered the first peer review of member states' Action Plans which were then discussed at the Cardiff European Council in June. The Presidency promoted a broad-based peer review process including the Social Affairs, ECOFIN and Education Councils, and their supporting committees. This work contributed to the co-ordinated European strategy for employment envisaged in the Amsterdam Treaty.

The review of Action Plans will be taken forward and discussed at a Joint ECOFIN and Social Affairs Council in December 1998 when new Employment Guidelines for 1999 are also to be discussed.

5.3 The Council adopted conclusions on worker protection from asbestos, calling on the Commission to bring forward proposals agreed, and a Directive on Chemical Agents. The Council had further discussion on the follow-up to the Davignon report on employee involvement in the proposed European Company Statute.

5.4 The UK Presidency reported on the Informal meeting of Education and Social Affairs Ministers held in London in March and the Council noted Presidency conclusions about the Commission's fundamental review of co-ordination of social security for migrant workers.

5.5 There were presentations from the Commission on reform of the Structural Funds; on its Action Plan on Racism and Xenophobia; on sectors excluded from the Working Time Directive; on a draft report from the High Level Group on Industrial Change; on draft amendments to the Carcinogens Directive; and on the PHARE Programme.

5.6 A joint Education and Social Affairs Council was held on 3–4 June. The Council discussed National Employment Action Plans and completed its assessment of the Plans in preparation for the European Council at Cardiff.

5.7 The Council reached political agreement on a regulation extending Regulations 1408/71 and 574/72 (co-ordination of social security for migrant workers) to civil servants in special schemes and a directive safeguarding the Supplementary (ie occupational and personal) Pension rights of migrant workers (this regulation and directive were subsequently adopted at the General Affairs Council on 29 June). The Council also adopted a package of annual amendments to Regulations 1408/71 and 574/72 and a recommendation on a Parking Card for people with disabilities.

5.8 The Council reached a common position on a directive amending the Acquired Rights Directive and on the promotion of European pathways for work-linked training (Europass). Further progress was made on the employee involvement aspects of the proposed European Company Statute.

5.9 The Council heard presentations from the Presidency on a pilot project to promote teacher mobility across the EU and from the Commission on its proposals for a new generation of programmes on education, training and youth.

5.10 The Commission made presentations on its communication on developing the social dialogue at Community level; its communication on a new Social Action Programme (1998–2000); and on the proposed ILO Declaration on Fundamental Rights.

Employment Legislation

5.11 The Government made significant progress on the various proposals for EU employment legislation. The extension to the UK of the Part-Time Work Directive will remove discrimination against part-time workers and promote flexible labour markets across Europe. It will mean better quality part-time jobs and more choice,

which will help women as well as men to combine work and family life. The UK has until April 2000 to implement the Directive and will be consulting on how best to do this.

5.12 Revisions to the Acquired Rights Directive agreed by the Social Affairs Council on 4 June will also help promote flexibility. The Directive, implemented in the UK by the Transfer of Undertakings (Protection of Employment) Regulations 1982, is an important aspect of employment legislation. It has the potential to promote a partnership approach towards business restructuring, safeguarding employees' rights if the undertaking in which they work is transferred from one employer to another, while allowing adaptability for employers.

5.13 Negotiations on a directive on the worker participation arrangements relating to the European Company Statute made good progress and after several years consideration agreement is closer than ever before. The European Company Statute would create a legal framework allowing companies operating in more than one Member State to incorporate themselves as single European companies.

5.14 Consultation documents have been issued in connection with the Working Time and Young Workers Directives on 8 and 9 April respectively. It is intended that the regulations will come into force by 1 October.

5.15 The Commission tabled proposals for its new Social Action Programme 1998–2000 and for the future of the Social Dialogue.

5.16 The Social Action Programme seeks to integrate the economic, employment and social agendas through jobs, skills and mobility, “the changing world of work” and an inclusive society. The Government considers the programme to be generally well balanced, which builds on recent, positive developments in the EU employment agenda.

5.17 The Government has nevertheless made clear that it is not persuaded of the need for a directive on information and consultation in companies operating only at national level.

5.18 The conclusions of the Cardiff European Council pressed for a strong and broad-based social dialogue, and the UK welcomes the intention of the Austrian Presidency to take this forward, including at a conference in Vienna in November 1998.

Health

5.19 The Health Council met once on 30 April. The Council held an open debate on the future framework for action in the field of public health which focused on three strands for future action: improving

information for the development of public health; reacting rapidly to threats to health; and tackling the determinants of health through health promotion and disease prevention. The Council also discussed the limitations of the current Community action programmes, and the importance of improved efforts to ensure that health protection requirements form a constituent part of other Community policies.

5.20 Common positions were agreed on the proposed programmes of Community action on rare diseases and on pollution-related diseases. Agreement was reached on a Council Recommendation on the suitability of blood and plasma donors and the screening of donated blood.

5.21 The Council also agreed conclusions on Transmissible Spongiform Encephalopathies and on the integration of health protection requirements in Community policies.

5.22 Progress reports were noted on the Community's role in combating tobacco consumption, on the proposed programme of Community action on injury prevention, and on the European Union-United States Task Force on communicable diseases.

5.23 During lunch an informal discussion took place on the public health implications of EU enlargement.

Education and Social Affairs: Presidency Theme and Events

5.24 The Presidency in Education and Social Affairs took as its central theme employability, encompassing schools, further and higher education, the transition from education into work, lifelong learning, promoting employment, tackling long-term unemployment and social exclusion, new forms of work organisation, fair and decent minimum standards at work and promoting equality of opportunity at work. Action on this theme was co-ordinated by the Department for Education and Employment, working with other Government Departments as well as a wide range of social partners and other organisations.

5.25 In addition to formal business in the Council, the employability agenda was supported by a wide range of events. In March, an informal meeting of Education and Employment Ministers in London discussed employability through a variety of ministerial workshops and presentations designed to explore different aspects of the concept. There was also discussion on the future of the European Social Fund and the new generation of education, training and youth programmes. In the same month, a meeting was held of Ministers of Employment from EU and Central and Eastern European Countries in Budapest on the theme of 'Modernising Europe's Labour Markets' and a similar meeting was held of Education Ministers in Prague in

June on improvement of school standards. In May, there was a meeting of EU Ministers for Women and Equality in Belfast, which considered women's employability and the role of childcare in enabling women to achieve their potential in the labour market.

5.26 The range of conferences included: Excellence in Schools in London in June, which looked at issues related to raising school standards; Welfare to Work in Newcastle in June which sought to stimulate the debate on tackling unemployment across Europe; Work Organisation in Glasgow in April, which took as its basis the Commission Green paper on 'Partnership for a new organisation of work'; Lifelong Learning in Manchester in May; and Occupational Health, on the theme of 'Good Health is Good Business', in London in March.

Culture/Audiovisual Matters

Culture

5.27 The Culture/Audiovisual Council on 28 May agreed a common position regarding the proposed European Parliament and Council decision establishing a Community action for "The European Capital of Culture" event for the years 2005 to 2019. Ministers also agreed the cities to be offered the title "European City of Culture" and "European Cultural Month" for the years 2001 to 2004.

5.28 The Council held an initial and constructive exchange of views on the proposal for the new cultural framework programme, "Culture 2000", presented by the European Commission, to replace existing programmes when they come to an end.

5.29 The Council also received a progress report by the Commission on its study on cross border fixed book prices in the EU, and discussed culture and employment, access to archives in the EU and the importance of music and the music sector.

5.30 An informal meeting was held on 16 April between the Cultural Affairs Committee and representatives of the Council of Europe, which focused on the impact of new technologies on culture.

Audiovisual

5.31 The Council agreed a recommendation concerning the protection of minors and human dignity in audiovisual and information services. This will establish a European framework for self-regulation against harmful content in broadcasting and on the Internet.

5.32 The Council agreed conclusions welcoming the ideas arising from the European Audiovisual Conference, held by the UK Presidency in Birmingham in April.

5.33 At the Council Ministers also discussed a proposal to establish a European Film Award, and the European Commission agreed to undertake a detailed feasibility study on this.

Sport

5.34 A sports Troika meeting was held at Twickenham Rugby Union Stadium on 2 April. The meeting was chaired by Tony Banks, Minister of Sport, and focused on using sport to tackle social exclusion; it was agreed that this was the issue upon which the European Commission's forthcoming Green Paper should concentrate.

Presidency Organisation and Events

5.35 An informal seminar of EU Culture and Audiovisual Ministers was held at Shrigley Hall (near Macclesfield), from 15–17 March. Discussion covered broadcasting convergence issues, GATS and MAI, the city of culture in 2001, the future of European cultural action, and presentations on digital terrestrial television and on culture and employment.

5.36 A major European Audiovisual Conference, "Challenges and Opportunities of the Digital Age", sponsored jointly by the industry and the Government, was held in Birmingham from 6-8 April. This was co-chaired (with Commissioner Oreja) by the Secretary of State for Culture, Media and Sport and attended by the Foreign Secretary. The conference considered the implications of converging digital technologies across four areas affecting the whole of the audiovisual sector: employment, the creative and production areas, regulation, and copyright and associated intellectual property rights. The conference sought to establish an orientation for the future development of policy in these areas, in particular emphasising the need for the lightest possible regulation in order to facilitate the development of new services, and to critically examine how governments' cultural goals can best be achieved in the new and rapidly changing broadcasting environment.

5.37 A conference, "A Working Culture: Culture, Creativity and Employment", was held at the South Bank in London from 14-16 May. This conference received significant EU support, and the Secretary of State for Culture, Media and Sport and several other Ministers attended. The conference debated the role of cultural diversity in the generation of employment, together with issues of new technologies, mobility, cultural property and copyright, and stimulating and sustaining creativity.

5.38 The UK Presidency sponsored a conference on “Sustaining the Cultural Heritage of Europe”, organised by ICOMOS (the International Council on Monuments and Sites) and held in London on 13 March. The conference showed the benefits of working with other European countries on heritage issues within a tourism context, and explored ways in which such links can be further developed including with Central and Eastern European countries.

5.39 The Department for Culture, Media and Sport (DCMS) also sponsored a number of museums-related conferences (“European Museums beyond the Millennium”, 17–20 March; “The Economics of Museums”, 21–22 March), and events (“Museums Week”, 16–24 May), together with a seminar for European composers (“In tune in Europe”, 21–22 May) and an experts’ meeting on European cultural statistics (24–26 June).

5.40 DCMS made a particular effort to involve the public in the Presidency and the broader EU cultural links by producing a widely-distributed publication promoting over one hundred UK cultural events with a European element. Poems by European poets appeared on London Underground and Eurostar trains, and on postcards and other media distributed around the country, and a European poetry booklet was published. To promote the consideration and adoption of the ideas generated by the Department’s Presidency-related meetings DCMS published a summary of these events and their conclusions.

Research and Development

The Fifth Framework Programme for Research and Technology Development

5.41 At its meeting on 12 February, the Research Council reached a common position on the EC Fifth Framework Programme for Research and Technological Development (RTD). The Council agreed on all areas of the Framework including the scientific and technological content, the structure and the budget, which was settled at 14 billion ecu (around £10 billion). The Framework is subject to the co-decision procedures. The European Parliament undertook its reading of the common position text on 17 June and put forward a number of amendments for the Council to consider. The Council could not accept all the amendments and so the conciliation procedure has been triggered which should be concluded in November 1998.

5.42 The Research Council on 22 June reached a common position on the proposed decisions on the rules governing participation in the Framework Programmes and the dissemination of results, which are essential for implementing the programme. The Council also achieved a broad consensus on the scientific and technological

content of three of the ten specific programmes that give detailed effect to FP5, and on the underpinning general provisions broadly common to these programmes. Other agenda items included agreement on conclusions on the management of Community RTD programmes and an agreement of a resolution aimed at strengthening the links and complementarity in space research between the EU and the European Space Agency.

6. External Relations, including Trade and Aid

Enlargement

6.1 Building on the decisions taken by the Luxembourg European Council in December 1997, the UK Presidency launched the European Conference in London on 12 March. The Heads of Governments from 26 countries (the EU 15, the 10 Central European applicants and Cyprus) met to discuss issues of common interest. The Conference established an informal group of experts to consider the problems of organised crime and drugs trafficking. This group held its first meeting on 10 June.

6.2 The Accession Process was launched in Brussels on 30 March, providing a framework for the ten Central European applicants and Cyprus to prepare for EU membership. The EU opened accession negotiations on 31 March with Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus. In addition the EU opened an analytical examination of the *acquis* with Bulgaria, Romania, Slovakia, Lithuania and Latvia to help them prepare for accession negotiations.

6.3 The Cardiff European Council welcomed the substantial progress made since Luxembourg on preparations for enlargement. It also endorsed the European Commission's Communication on a European Strategy for Turkey and invited the Commission to carry forward the Strategy in consultation with Turkey as a means of helping Turkey to prepare for accession.

World Trade Organisation (WTO)

The WTO's second Ministerial Conference and a Commemoration of the 50th Anniversary of the GATT were held on 18–20 May in Geneva. Trade ministers from 132 WTO members agreed to launch a broad-based process, from which no issue would be excluded in advance, to prepare for decisions on future liberalisation and rule-making at the third WTO Ministerial in late-1999. Ministers also agreed to draw up a WTO work programme on electronic commerce and to continue the current practice of not imposing customs duties on electronic transmissions.

On 9-10 March, a symposium on trade facilitation was held in Geneva. This demonstrated business interest in fuller WTO engagement in this area.

The WTO accession applications of Latvia, Lithuania and the Kyrgyz Republic moved towards their closing stages in this period.

Former Yugoslavia

6.4 On 1 January, a Trade and Co-operation Agreement between the EU and the Former Yugoslavia Republic of Macedonia entered into force. The first Council under the new Agreement was held in Skopje in March.

6.5 In April, the Council approved amendments to the regulation governing the disbursement of Community aid for the reconstruction of the Former Yugoslavia, and Bosnia in particular. The amendments, together with a decentralisation of the Commission administrative organisation from Brussels to Sarajevo, are aimed at improving the performance of the Community's substantial aid effect in the region.

6.6 On 8 June, the Council issued a declaration on Bosnia Herzegovina and established a Joint Consultative Task Force. These aim to bring Bosnia closer to European structures by helping to consolidate progress toward democracy and market based economic reforms. The first meeting of the Task Force took place in Brussels on 10 June.

EU/Russia

6.7 The inaugural Co-operation Council under the Partnership and Co-operation Agreement between the EU and Russia was held in Brussels on 27 January. On 15 May, a Summit meeting was held in Birmingham involving the Prime Minister, the President of the European Commission, and President Yeltsin. A Joint Statement issued from the Summit covering a range of topics including the welcoming of Russia's removal from the list of countries classified as non-market economies by the EU for anti-dumping purposes.

EU/Ukraine

6.8 The Partnership and Co-operation Agreement between the EU and Ukraine entered into force on 1 March. The inaugural Co-operation Council, which oversees the operation of the Agreement, was held in Brussels on 9 June and agreed a comprehensive work programme covering 1998/99.

Turkmenistan

6.9 The EU signed a Partnership and Co-operation Agreement with Turkmenistan on 25 May 1998.

EU/Canada

6.10 The Prime Minister (as President of the Council) and the President of the Commission, met Canadian Prime Minister, Jean

Chretien for an EU/Canada Summit in London on 14 May. The Summit reviewed progress on the EU/Canada Action Plan and Political Declaration, signed in December 1996. EMU, Enlargement, CAP reform, Cuba and Algeria were also discussed. The Summit concluded with the signature of a Mutual Recognition Agreement on Conformity Assessment, covering *inter alia* various telecommunications and electronic equipment. The Agreement will allow testing and certification to be undertaken in the exporting country, saving business over 40 million ecus (£26.2 million) annually

EU/Mexico

6.11 On 25 May the Council agreed an EU negotiating mandate for the substantial and reciprocal liberalisation of EU/Mexico trade in goods and services. The liberalisation of trade is the cornerstone of a new and comprehensive EU/Mexico relationship in the framework of the two Partnership and Co-operation Agreements signed between the EU and Mexico in Brussels on 8 December 1997.

EU/US

An EU/US Summit was held in London on 18 May. The UK Presidency and the Commission represented the EU. There were wide ranging discussions of bilateral and multilateral trade, foreign policy and “people to people” issues. The Summit produced a deal on US extraterritorial sanctions and an agreement to work to develop bilateral trade and promote liberalisation in multilateral fora under the Transatlantic Economic Partnership. It also endorsed a joint approach to tackling terrorism and the proliferation of weapons of mass destruction. For the first time, the Summit involved people from outside government and official circles. Leaders met people involved in transatlantic partnerships to tackle social exclusion and six of the EU/US Democracy and Civil Society Award winners from Central and Eastern Europe.

The extraterritorial sanctions deal will greatly reduce the threat of US sanctions against EU companies, allowing them to pursue legitimate commercial opportunities on a normal basis. The US Administration is also now committed to resist future proposals from Congress for extraterritorial sanctions.

Discussions continue on a number of trade issues, including genetically modified organisms, wheat gluten, and hormones in beef.

Latin America

6.12 An EU/San José Ministerial was held in San José on 10 February. An EU/Rio Group Ministerial took place in Panama City on 11–12 February. EU/Mercosur and EU/Chile Trade Sub-Commissions were held in Brussels on 14 May.

EU/Japan

6.13 An EU/Japan Summit was held on 12 January in Tokyo. The Prime Minister and the President of the European Commission represented the EU. The EU/Japan dialogue on liberalising legal services and deregulating financial services continued. The EU/Japan High Level Meeting in Tokyo on 4–5 June produced positive developments on deregulation, MRA, and car crash tests. An EU seminar was held on 15 June to explore the future of the EU/Japan relationship.

EU/Hong Kong

6.14 The EU has continued to emphasise the importance it attaches to full respect for the rights and freedoms of the Hong Kong people and the high degree of autonomy accorded to Hong Kong under the Sino-British Joint Declaration and the Basic Law of the Hong Kong Special Administrative Region. Negotiations towards an EC/Hong Kong customs co-operation agreement continued.

EU/China

6.15 The first EU/China Summit was held in London on 2 April. Discussions provided the basis for a future framework of deeper and more constructive EU/China relations. China welcomed the proposal to hold annual EU/China Summits.

6.16 On 29 June, the General Affairs Council approved a Commission Communication on “Building a Comprehensive Partnership with China” which seeks to upgrade political dialogue, integrate China further in the world economy and support China’s transition to an open society.

6.17 The frank and constructive EU human rights dialogue with China continued. A round of talks was held in London on 20–22 May. EU Troika Ambassadors visited Tibet on 1–10 May. China was removed from the list of countries classified as non-market economies by the EU for anti-dumping reasons.

ASEM

6.18 The second ASEM (Asia Europe Meeting) Summit took place in London on 3–4 April. There was discussion of the Asian financial crisis and Europe’s response to it, including agreement by the 26 ASEM partners to maintain open markets and resist protectionist measures. Initiatives were also launched on increasing trade and investment, protecting the environment and building links between young people.

EU/India

6.19 The EC/India Sub-Committee on trade met in New Delhi on 12 February and the EU Experts Group on India met on 25 March in Brussels. In addition, senior officials from the EU Troika and India met in London as part of an ongoing political dialogue.

EU/Laos

6.20 The first meeting of the EC/Lao PDR Joint Commission took place on 25–27 June in Vientiane, under the EC/Laos Co-operation Agreement of April 1997.

Mediterranean

6.21 UK ratification of the EU/Morocco Association Agreement was completed on 9 January. The EU/Tunisia Association Agreement entered into force on 1 March. Negotiations continued for similar agreements with Egypt, Lebanon and Algeria. The formal opening of negotiations for an agreement with Syria was on 14 May.

6.22 An informal meeting of Euro-Mediterranean Foreign Ministers was held in Palermo on 3–4 June to review the progress of the Euro-Mediterranean partnership.

6.23 A Political Dialogue Meeting between the EU and the Gulf Co-operation Council (GCC) was held in London on 29 April which built on political dialogue between the EU and the GCC, focusing on Gulf security and the Middle East Peace Process.

6.24 The EC/Malta Association Council was held on 28 April in Luxembourg to review the state of relations between the EC and Malta and examine possible future developments in these relations.

EU/South Africa

6.25 The EU has continued negotiations with South Africa on the establishment of a Free Trade Area and on parallel agreements on Fisheries and Wines and Spirits. At the Cardiff European Council, Heads of Government made a commitment to reach a successful conclusion to negotiations by autumn 1998.

Relations with Developing Countries

6.26 The General Affairs Council on 29 June agreed the EU's negotiating mandate for the successor to the current (fourth) Lomé Convention on co-operation with African, Caribbean and Pacific (ACP) countries. It was a UK priority to agree an EU mandate. In terms of the development co-operation relations, the negotiating mandate includes a strong backing for the international poverty

eradication strategy and targets, replacing Stabex and Sysmin with more flexible provisions for helping countries cope with short term fluctuations in export earnings from basic products, and lastly, a rationalisation of aid instruments, with greater flexibility in resource allocation. Negotiations with the ACP began in September 1998, with a view to agreeing a new Convention by February 2000.

6.27 The Development Council of 18 May adopted two sets of conclusions, the first on poverty provides stronger backing for the International Development Strategy, and the second on gender reviews progress made since the 1995 Beijing Conference to mainstream gender concerns. Work continued leading to the preparation of draft conclusions on Micro-finance and Poverty Reduction, a resolution on Indigenous Peoples and a paper on Security of Relief Workers and Humanitarian Space. Ministers discussed progress made in the global evaluation of EU Development assistance, due to be completed in mid 1999.

Export Credits

6.28 Council Directive 98/29/EC, concerning the harmonisation of the main provisions of export credit insurance for transactions with medium and long-term cover, was adopted on 7 May. The directive establishes a level playing field for the operation of EC Export Credit Agencies.

7. The Single Market

Cardiff European Council

7.1 The European Council agreed that the Commission's Single Market Scoreboard should be developed further as a tool for monitoring the functioning of the single market. It reaffirmed its commitment to improve implementation of single market legislation so that the remaining overdue directives are transposed into national laws by the end of the year and invited the relevant Council and the Commission to actively pursue initiatives on enforcement of single market laws. The European Council welcomed the initiatives that have been launched to improve weaker areas of the single market, such as standardisation, mutual recognition and public procurement, aiming to speed up the process of producing EU harmonising standards, improving the operation of the principle of mutual recognition of national standards by member states where harmonised ones do not exist, and reforming the EU public procurement rules.

The Single Market Action Plan

There was progress on legislative and non-legislative elements of the Commission's Action Plan to improve the operation of the Single Market. Three out of four priority pieces of legislation, intended to address obstacles to market integration, were adopted. These were directives on the legal protection of biotechnological inventions, gas liberalisation, and a modification of the Transparency Directive, to help prevent new barriers to trade in information society services. There was significant progress on the fourth piece of legislation, the European Company Statute, with the Council reaching a broad measure of agreement on the proposed regulation.

Council conclusions were adopted setting in hand work to improve the production of harmonised standards, the operation of public procurement rules, and the single market in pharmaceuticals. The Council reached a common position on a directive on mutual recognition of qualifications which consolidates existing legislation and introduces a mechanism for the recognition of qualifications in other member states.

Progress on non-legislative elements of the Action Plan included improved transposition of Directives. At the 18 May Council the Commission presented the latest Single Market Scoreboard which showed that the percentage of Directives not yet implemented in all 15 member states was 18.2 per cent, compared to 26.7 per cent in November 1997. Similarly, the Scoreboard showed progress on more effective enforcement of legislation.

Internal Market Council

7.2 There were two meetings of the Internal Market Council. The 30 March Council reviewed progress on implementation of the Single Market Action Plan and the state of transposition of internal market legislation. The Council agreed conclusions on the functioning of the principle of mutual recognition; discussed the Commission's proposal to establish a Business Test Panel, an initiative to improve consultation procedures with business on selected new draft legislation; and assessed progress on the initiative "Simpler Legislation for the Internal Market" (SLIM). The third phase of SLIM was launched. See Chapter 12.

7.3 The 18 May Council reached unanimous political agreement on a regulation for a Commission intervention mechanism for the elimination of serious obstacles to the free movement of goods and a resolution which confirmed member states' commitment to deal rapidly with serious disruptions to the free movement of goods. This includes notifying their economic operators, each other, and the Commission, of such obstacles and the steps being taken to overcome them, and respecting tight deadlines imposed by the Commission in dealing with related infraction proceedings.

7.4 The Council reached political agreement by unanimity on common positions on directives on the legal protection of services based on, or consisting of, conditional access; and on the classification, packaging and labelling of dangerous preparations. Council conclusions were adopted on the single market in pharmaceuticals, European standardisation, the management of preferential tariff arrangements, commercial communications, and public procurement. The Council discussed a proposed regulation on the labelling of certain foodstuffs produced from genetically modified soya or maize and the draft directive on chocolate.

8. Agriculture, Fisheries and Food

AGRICULTURE

Bovine Spongiform Encephalopathy (BSE)

8.1 The Government has continued to implement measures designed to eradicate BSE and to protect public health in the UK, and to fulfil the preconditions laid down in the Florence agreement with the aim of securing a progressive resumption of exports of beef and beef products. Progress on meeting these preconditions has been as follows:

- **Implementation of the selective slaughter programme.** Northern Ireland completed its cull of 1461 cohort animals born in the province in 1997. In Great Britain, with a few exceptions, all 8322 natal herds were visited by the State Veterinary Service (SVS) by the target date of 31 October 1997 and 71,000 animals were culled under the scheme by the end of June 1998.
- **Introduction of an effective animal identification and movement recording system.** A compulsory system has been introduced under which all cattle born or imported from 1 July 1996 are registered on a computerised database and may be moved only if accompanied by a valid passport recording the animal's movement history. Over 5,509,000 cattle passports have been issued. In addition, some 1,225,000 calves with special calf passports have been processed under the Calf Processing Aid Scheme.
- **Legislation for the removal of Mammalian Meat and Bone Meal (MMBM) from feed mills and farms.** The European Commission inspected the arrangements in respect of animal feed and MMBM on 26 to 29 July 1996 and subsequently confirmed that it was content.
- **Effective implementation of the Over Thirty Month Scheme (OTMS).** By the end of June, approximately 2.4 million animals had been culled under the OTMS since March 1996.
- **Controls on slaughterhouses to ensure the removal of Specified Bovine Material (SBM)** have been strengthened and tightened. Monthly Enforcement Bulletins continue to show sustained improvement in ensuring compliance with SBM controls; there have been no instances of spinal cord

not being removed in licensed slaughterhouses in Great Britain since March 1996.

8.2 Although not a pre-requisite of the Florence Agreement, a computerised cattle tracing system is being developed and will be launched on 28 September 1998, well before the Commission's deadline of late 1999.

8.3 Under Decision 96/239/EC (as amended by 96/236/EC) the UK is banned from exporting:

- live bovine animals, bovine semen and embryos;
- beef from animals slaughtered in the UK;
- products obtained from bovine animals slaughtered in the UK for food, feed, cosmetic, medical or pharmaceutical uses; and
- mammalian meat and bone meal.

8.4 On 16 March the Agriculture Council adopted Council Decision 98/256/EC which revoked and replaced Commission Decision 96/239/EC (as amended). Decision 98/256:

- allows the export of beef and beef products from Northern Ireland under the Export Certified Herds Scheme (ECHS);
- lays down new conditions for the export of amino acids, peptides, tallow, tallow products and tallow derivatives derived from bovines slaughtered in the UK and gelatine derived from bovine animals not slaughtered in the UK;
- lays down new conditions for the export of gelatin, di-calcium phosphate, tallow, tallow products, tallow derivatives, amino acids, peptides and collagen; and
- introduces stricter controls governing the export of products containing foreign origin bovine material from export approved premises.

8.5 Meat and products under the ECHS would be eligible for export if derived from an animal:

- born and reared in Northern Ireland;
 - aged between 6 and 30 months old;
 - whose mother has lived for at least six months after its birth and subsequently has not been confirmed as a BSE case nor is suspected of being one; and
 - which has spent its entire life in eligible herds (i.e. herds in which, in the last 8 years, there has been no BSE case in any animal which was still in or had moved through or from the herd).
-

8.6 Following the procedure laid down in the Florence Agreement, the Commission inspected the practical arrangements for the ECHS on 20–22 April. The Commission were satisfied and set 1 June as the date from which exports could resume. The first consignment of ECHS beef was exported to Belgium on 20 June.

8.7 In the light of high profile cases concerning illegal beef exports and European Commission Missions to the UK last year, the Commission and certain member states concluded that the legal framework governing the despatch from the UK of products containing foreign-origin bovine material should be tightened. Council Decision 98/256/EC introduced, amongst other things, a number of measures to do this, including:

- a significant increase in the level of veterinary supervision throughout the production chain;
- tougher segregation requirements (sealed lockable areas in cold stores);
- stricter requirements for record keeping, health marking and labelling; and
- officially sealed transport.

8.8 These new requirements and the new conditions under which bovine by-products may be exported have been implemented in Great Britain by the Bovines and Bovine Products (Trade) Regulations 1998 which came into force on 1 May. The regulations make it an offence to despatch, or consign for despatch, cattle, beef and beef products and goods derived from foreign origin beef which do not comply with the regulations. The regulations contain powers to search, seize and detain goods together with penalties which include fines of up to £5,000 and up to 2 years' imprisonment.

8.9 Any reports of alleged illegal exports are urgently and rigorously investigated. UK officials collaborate with their counterparts in other Member States and with the Commission's own anti-fraud unit where appropriate.

8.10 The Scientific Steering Committee (SSC) adopted a revised opinion on the safety of tallow in March. This was not adopted in time for its conclusions to be discussed by the Council of Ministers before the adoption of Council Decision 98/256. A further Commission proposal which seeks to revise the conditions under which tallow exports from the UK can resume, reflecting this opinion, is currently under discussion.

8.11 Also following the procedure in the Florence framework, the UK's Date Based Export Scheme (DBES) proposals, together with associated proposals for a cull of the offspring of BSE infected dams, were considered by the Commission's SSC on a number of occasions. The purpose of the offspring cull is to provide a guarantee against

any presence of BSE infectivity in animals whose meat could be exported under the DBES that might result from maternal transmission. Largely favourable SSC opinions followed on 9 December 1997, 20 February and 16–17 April.

8.12 The Commission issued their DBES proposal on 10 June. The Draft Commission Decision (VI/4843/98 Rev. 6), amending Council Decision 98/256/EC to implement the DBES, and the associated offspring cull, was first considered at the Standing Veterinary Committee (SVC) on 12 June and again on 18 June. The Commission's proposal would permit the export of meat and certain products derived from animals fulfilling the following criteria:

- they are more than six months and less than thirty months old at the time of slaughter and born in the UK after 1 August 1996;
- the animals have been clearly identifiable throughout their lives; their dates of birth and the identities of their dams are known and all movements are recorded either on an animal passport or a computerised tracing system; and
- their dams lived at least six months after their birth and are not BSE cases or suspects.

The proposal as initially tabled also required that before exports can begin, the UK must complete the cull of all offspring of confirmed BSE cases, from those born in the period 1 August 1996 up to the date of the application of the decision; and the removal of bones from the meat of cattle aged over 6 months, and with a prohibition on their use in food, feed, cosmetics and medical or pharmaceutical products. The Commission will report on a mission to the UK to inspect the arrangements for the DBES and the associated cull before further discussion took place.

8.13 Commission Decision 97/534 would provide Community-wide controls on certain offals from cattle, sheep and goats (defined as Specified Risk Materials, SRM). It would have come into force on 1 April but it was widely recognised that changes were necessary to address shortcomings in the Decision's treatment of the use of SRMs in cosmetics and pharmaceuticals. Accordingly, the Commission proposed amendments to the decision at the 16–17 March Agriculture Council. Only 3 member states could support the proposal.

8.14 When it became clear at the Agriculture Council meeting on 31 March that it would not be possible to reach any acceptable compromise, the Council unanimously agreed to defer the application of Decision 97/534 until 1 January 1999 and to call on the Commission to put forward another proposal as soon as possible after the May meeting of Organisation Internationale des Epizooties (OIE). No new proposal has yet been published by the Commission.

8.15 On 5 May the European Court of Justice (ECJ) delivered its Judgement on the UK's challenge to the beef export ban (Commission Decision 96/239/EC). The ECJ upheld the validity of the export ban, including the ban on exports to third countries. See summary in Appendix B, Part 2.

Veterinary and Phytosanitary Equivalence Agreements

8.16 The Commission has been negotiating with third countries for mutual recognition of veterinary and, in some cases, phytosanitary standards. In March the Agriculture Council approved a veterinary agreement between the Community and the United States. The Council agreed that the agreement should be signed once the USA has published its proposed new rule recognising the animal health status of the Community. Negotiations with other third countries in Europe, North and South America, Australia and New Zealand have also been continuing.

CAP Reform

Significant progress was made on reform of the Common Agricultural policy during the UK's Presidency of the Agriculture Council. On 31 March the European Commission presented a package of legislative proposals designed to implement the reforms to the CAP that were outlined in its Agenda 2000 paper, published in July 1997.

The package includes proposals for reform of the CAP regimes for the arable, beef and dairy sectors; the establishment of an integrated legal framework for farm-related rural development and agri-environmental measures, structural and forestry measures and support for hill and mountain farming; a new regulation setting out measures to be applied horizontally to all direct payments to farmers; and a new CAP finance regulation to provide for the changes to the CAP to be introduced via the rural development regulation.

The May Agriculture Council agreed interim conclusions on the Agenda 2000 proposals which set out the framework for the continuing negotiations. Detailed technical examination of the proposals began in June and have continued under the Austrian Presidency.

Negotiations were concluded in June on olive oil and tobacco regimes. Reforms were secured to the olive oil regime which significantly changed the long term direction of the regime, with cuts in production aid and the removal of intervention support. This should mean lower prices for EU consumers and, in time, savings to EU taxpayers. Reforms to the tobacco regime should also move the system of support in a more market oriented direction, consistent with the Government's objectives, by providing incentives to growers to improve the quality of their production and to reduce their dependence on production subsidies.

The UK Presidency also succeeded in securing agreement at the June Agriculture Council on major changes to the Community's banana regime. These were required following adverse findings against a number of aspects of the Community's arrangements in a WTO dispute initiated by the US and four Latin American banana exporting countries. The revised arrangements are designed to meet both the Community's obligations towards the WTO and under the Lomé Convention negotiated with the ACP states. The new regime which comes into force on 1 January 1999 should provide continuing access to the UK market for Caribbean bananas, which enter the Community market duty free.

Agricultural Trade Disputes

i. Bananas

8.17 In 1996 Ecuador, Guatemala, Honduras, Mexico and the United States requested the establishment of a World Trade Organisation (WTO) Panel on the EC banana regime. In May 1997 the Panel concluded that certain aspects of the regime were incompatible with world trade rules, particularly the GATT (General Agreement on Tariffs and Trade) and the GATS (General Agreement on Trade in Services). The WTO Appellate Body largely upheld the Panel's ruling and the Community was given until 1 January 1999 to bring its arrangements into line with WTO rules.

8.18 A proposal to amend the regime, by removing those elements condemned by the WTO, was presented to the Agriculture Council in January. The Government made reaching agreement on the regulation a Presidency priority and made it clear that the UK would seek to ensure that the interests of its traditional suppliers in the Commonwealth Caribbean were fully taken into account in negotiations. Despite the initial preference of a number of member states for the replacement of the tariff quotas by a tariff-only system, the UK succeeded in securing agreement on a largely unchanged Commission proposal at the Agriculture Council on 22--6 June. The Council also agreed to give the Commission a mandate to negotiate with the four "substantial suppliers" of bananas to the Community: Ecuador, Colombia, Costa Rica and Panama. An additional regulation on a framework of assistance for traditional African, Caribbean and Pacific (ACP) suppliers was also discussed in Brussels. It is expected that it will be adopted in the latter half of the year.

ii. Hormones

8.19 In 1996 the US and Canada requested the establishment of two separate WTO panels to investigate the ban imposed by the Community on the import of meat from animals treated with hormone growth-promoters. The Panels' findings were reported simultaneously in August 1997. They were that the Community had acted inconsistently with the WTO Agreement on Sanitary and Phytosanitary (SPS) Measures by maintaining measures which were not based on a risk assessment or on existing international standards.

8.20 The WTO Appellate Body ruling on the Panels' findings was published on 16 January. The Appellate Body reversed some of the Panels' conclusions, but maintained the key ruling that the Community measures are inconsistent with the SPS Agreement because they are inadequately justified by a risk assessment. The Community has been given a period of 15 months from the adoption of the Appellate Body report (on 13 February) to bring its measures into line with the ruling.

Olive Oil

8.21 On 22–26 June, the Agriculture Council agreed a three year interim reform of the olive oil regime, to apply from 1 November 1998. Among the changes are the abolition of intervention and the consumption aid paid to bottlers, the restriction of aid to existing trees and the application of penalties for overproduction at a national level. The Council agreed that the Commission should present proposals for further reform in 2000.

Hemp

8.22 The Agriculture Council decided on 22–26 June to tighten the rules of the hemp regime. Among the changes are a requirement for a contract between growers and approved processors; an undertaking for the crop to be processed; and from the 2001/2002 marketing year, a reduction in the maximum permitted drug content in varieties of hemp eligible for aid.

Tobacco

8.23 The Council agreed a Commission proposal for reform of the common organisation of the market in raw tobacco. Detailed implementing rules are being drawn up. The new measures will apply as from the 1999 harvest.

Animal Welfare

8.24 On 16 February, the Agriculture Council adopted Council Regulation (EC) 411/98 which sets standards to be met by road vehicles used to carry cattle, sheep, pigs, goats or horses on journeys longer than 8 hours in duration. Its provisions lay down requirements concerning the provision of food, water, ventilation and access to the animals, as well as the correct partitioning of animals.

8.25 Agreement was reached at the June Agriculture Council on Directive 98/58/EC concerning the protection of animals kept for farming purposes. The new directive sets minimum standards across Europe as to the general welfare, inspection, housing, feeding etc. of

all animals bred or kept for farming purposes. It also provides a framework under which detailed Community welfare requirements can be drawn up for individual species or categories of farm animals.

Fish and Shellfish Health

8.26 On 24 June, the Agriculture Council agreed Council Directive 98/45/EC amending the Fish Health Directive 91/67/EEC concerning the animal health conditions governing the placing on the market of aquaculture animals and products. This strengthens the provisions of Directive 91/67/EEC for national controls on certain fish diseases. Under the new directive, the arrangements for designating areas as free of specified fish diseases (including gyrodactylosis, caused by the parasite *Gyrodactylus salaris*) have been clarified and movements of fish into such areas will require accompanying health certificates. The Commission will then set detailed rules for particular diseases, including any extra measures that are necessary. This provides a framework for the Commission to approve new rules recognising that the UK is free from *Gyrodactylus salaris* and establishing measures on a permanent basis to replace current temporary safeguards against its introduction into this country.

FISHERIES

Internal Regime

8.27 At the 24 March Fisheries Council, new Total Allowable Catches (TACs) and national quota allocations were introduced for six North Sea species to help conserve stocks. The same Council agreed measures to help conserve herring stocks in the North Sea and Baltic. It also adopted conclusions calling upon the Commission to develop and extend its pilot regional meetings initiative as a means of increasing the involvement of fishermen in the Common Fisheries Policy (CFP).

8.28 On 8 June, the Fisheries Council agreed a UK Presidency compromise to ban the use of high seas drift nets from 1 January 2002. This will protect dolphins and other species accidentally caught in these nets. The same Council agreed conclusions stressing the importance of integrating fisheries and environmental policies and of making further progress in implementing the commitments made by North Sea Ministers at a meeting in Bergen in 1997. It also had an initial exchange of views on reform of the fish marketing regime in order to guide the Commission in preparing proposals for future consideration.

External Regime

8.29 The 8 June Fisheries Council adopted Decision 98/414/EC, paving the way for the Community and all member states to ratify

the UN Agreement on Straddling Fish Stocks and Highly Migratory Species.

8.30 A new Fisheries Agreement with Gabon was initialled, together with new protocols to renew the existing agreements with Madagascar and the Comores.

Enforcement

8.31 Significant progress was made in raising the profile of fisheries enforcement and the need to improve standards throughout the Community. In February the Commission issued a Communication on Fisheries Monitoring under the Common Fisheries Policy which analysed the strengths and weaknesses of the present arrangements and highlighted the areas where improvements could be made. In June the Fisheries Council considered Commission proposals to strengthen fisheries monitoring, inspection and surveillance, as part of an overall action plan to improve the effectiveness of fisheries enforcement in the Community over the next 2 to 3 years. The Council agreed that the proposals addressed the main areas of concern and looked forward to taking a decision on them at its next meeting in October.

FOOD

Labelling of Genetically Modified (GM) Foods

8.32 Council Regulation 1139/98, concerning the compulsory indication on the labelling of certain foodstuffs produced from genetically modified organisms of particular other than those provided for in Directive 79/112/EEC, was formally adopted at the Agriculture Council on 26 May and will come into force on 1 September. The regulation requires all foods containing ingredients produced from GM soya and GM maize to be labelled except when neither protein nor DNA resulting from the modification is present. The regulation also makes provisions for the formulation of a list of ingredients which member states agree do not contain novel protein or DNA and further discussion on the question of a *de minimis* threshold for the presence of DNA or protein resulting from genetic modification. This regulation replaces Commission Regulation 1813/97, which will therefore be repealed.

Annex to Chapter 8: Major Proposals Adopted

Agriculture and Food

Council Regulation (EC) 411/98 which sets out standards to be met by road vehicles used to carry cattle, sheep, pigs, goats, or horses on journeys longer than 8 hours in duration. Adopted 16 February.

Council Regulation (EC) 1099/98 opening a Community tariff quota for barley for malting falling within CN code 1003 00. Adopted 25 May.

Council Regulation (EC) 1139/98 concerning the compulsory indication on the labelling of certain foodstuffs produced from genetically modified organisms of particulars other than those provided for in Directive 79/112/EEC. Adopted 26 May.

Council Regulation (EC) 1284/98 amending Regulation (EC) No. 1868/94 establishing a quota system for the production of potato starch. Adopted 16 June.

Council Directive 98/45/EC amending Directive 91/67/EC concerning the animal health conditions governing the placing on the market of aquaculture animals and products. Adopted 24 June.

Council Directive 98/46/EC amending Annexes A, D.I and F to Directive 64/432/EEC on health problems affecting intra-Community trade in bovine animals and swine. Adopted 24 June.

Council Decision 98/256/EC revoking and replacing Decision 96/239/EC allowing the export of beef and beef products from Northern Ireland under the ECHS. Adopted 16 March.

Fisheries

Council Regulation (EC) 200/98 on the conclusion of the protocol establishing the fishing rights and financial compensation provided for in the Agreement between the European Community and the Republic of Cape Verde on fishing off the coast of Cape Verde for the period from 6 September 1997 to 5 September 2000. Adopted 20 January.

Council Regulation (EC) 373/98 on the conclusion of protocol 1 laying down the conditions relating to joint enterprises provided for in the agreement on fisheries relations between the European Community and the Republic of Latvia. Adopted 12 February.

Council Regulation 730/98 opening and providing for the administration of autonomous Community quotas for certain fishery products. Adopted 30 March.

Council Regulation (EC) 850/98 for the conservation of fishery resources through technical measures for the protection of juveniles of marine organisms. Adopted 30 March.

Council Regulation 772/98 amending Regulations 1890/97 and 1897/97 imposing definitive anti-dumping and countervailing duties on imports of farmed Atlantic Salmon originating in Norway. Adopted 7 April.

Council Regulation (EC) 783/98 amending Regulation 45/98 fixing, for certain fish stocks and groups of fish stocks, the total allowable catches for 1998 and certain conditions under which they may be fished. Adopted 7 April.

Council Regulation (EC) 1239/98 amending Regulation (EC) 894/97 laying down certain technical measures for the conservation of fishery resources. Adopted 8 June.

Council Regulation (EC) 1283/98 amending Regulation (EC) 65/98 fixing, for certain stocks of highly migratory fish, the total allowable catches for 1998, their distribution in quotas to member states and certain conditions under which they may be fished. Adopted 16 June.

Council Regulation (EC) 1434/98 specifying conditions under which herring may be landed for industrial purposes other than direct human consumption. Adopted 29 June.

Council Decision 94/414/EC on the ratification by the European Community of the Agreement for implementing the provisions of the United Nations Convention of the Law of the Sea of 10 December 1982 relating to the conservation and management of straddling stocks and highly migratory fish stocks. Adopted 8 June.

Council Decision 98/416/EC on the accession of the European Community to the General Fisheries Commission for the Mediterranean. Adopted 16 June.

9. Environment and Transport

ENVIRONMENT

Integration

9.1 Following a request at the Luxembourg European Council, the Commission produced a strategy for integrating the environment into other policy areas, which proposed mechanisms for establishing an on-going process of integration within the EU, and emphasised proposals for greening the key policy areas of Agenda 2000 and the Community's strategy for implementing the Kyoto Protocol. The Cardiff European Council in June welcomed this and agreed positive conclusions on future action which should help ensure an immediate and ongoing process of integration.

9.2 Early progress was made in the field of transport and the environment, where an informal Ministerial debate in Chester in April was followed the unanimous adoption of Council conclusions by Transport and Environment Ministers in Luxembourg in June (see paragraph 9.42 below).

Climate Change

9.3 The Presidency successfully achieved its challenging goals on climate change, following up the Kyoto Conference last year. The most notable achievement was the agreement at Environment Council on 16–17 June on how the EU would share out between member states its legally-binding target from Kyoto of an 8 per cent reduction in greenhouse gas emissions. Agreement was also reached on priorities for common and co-ordinated policies and measures to help achieve this target.

9.4 Following authorisation from the Environment Council on 23 March, the Deputy Prime Minister signed the Kyoto Protocol on behalf of the European Community whilst attending a session of the UN Commission on Sustainable Development. The March Council also saw conclusions on the main priorities for the next Conference of the Parties in Buenos Aires in November 1998 and agreement to a revised mechanism for monitoring member states' greenhouse gas emissions.

9.5 Discussions continued on the Community strategy to reduce CO₂ emissions from new passenger cars. On 23 March the Environment Council concluded that an outline proposal from the

European Automobile Manufacturers' Association (ACEA) for a voluntary agreement to reduce CO₂ emissions from cars by 25 per cent by 2008 could be the basis for further negotiations leading to agreement and called upon the Commission to take these forward, reporting back in June. Subsequently on 16 June, further conclusions were agreed by the Environment Council welcoming improvements in ACEA's offer, but noting that some outstanding issues needed to be resolved. The Commission were asked to conclude negotiations urgently and provide the Council with a full analysis of ACEA's final offer by early September.

Air Pollution

9.6 A common position was reached on the Air Quality Daughter Directive at the Environment Council on 16–17 June. This sets legally binding targets for the four major pollutants — sulphur dioxide, oxides of nitrogen, particulate matter and lead. The health based limits apply from 2005 onwards although member states will need to take action to achieve them before they come into force.

9.7 Also on 16–17 June, a directive which will significantly reduce the sulphur content of heavy fuel and gas oil was agreed. This directive will help combat acid rain and poor air quality in and around urban areas.

9.8 On 23 March the Environment Council reached a common position on a directive to limit the emissions of volatile organic compounds, which are a major contributor to poor air quality.

9.9 Further progress was made on the Auto Oil Programme. A common position was reached at Environment Council on 23 March on the proposal for a directive aimed at reducing air pollution from light commercial vehicles. This directive has since been merged with that for passenger cars, on which a common position was reached on 19 June 1997. This directive, and the proposed directive on fuel quality, on which a common position has also previously been reached, underwent the conciliation procedure and on 29 June an agreement was reached between the Council of Environment Ministers and the European Parliament which will reduce significantly reduce emissions from both cars and vans and substantially improve fuel quality.

9.10 The first Ministerial discussion was held on the proposal for a directive on emissions from heavy goods vehicles, the last part of the Commission's Auto Oil Programme, at the Environment Council on 16-17 June.

Waste

9.11 The Environment Council reached a common position on 23 March on the proposal for a directive on the landfill of waste.

Significant progress had been made on this dossier during preceding Presidencies, however the Council had been unable to agree a common position in the absence of the European Parliament's opinion.

Water

9.12 This major directive will lay down the principles of Community water policy for the next 30 years and will establish a common framework based on river basins for planning and achieving improvements in the quality of surface and ground water. At the meeting on 16–17 June, the Environment Council reached a very considerable degree of common understanding on the directive which should allow a common position to be reached once the European Parliament's opinion is available.

Biodiversity

9.13 The Environment Council on 23 March discussed the proposed Recommendation on Zoos. It was evident however from these discussions that there was substantial support for a legally binding directive. This led to agreement within the Environment Council on 16–17 June on a directive which provides for a light regulatory framework aimed at promoting animal biodiversity and conservation in European zoos. The directive allows member states considerable flexibility in achieving these goals.

9.14 Conclusions establishing the Community's position in preparation for the Fourth Meeting of the Conference of Parties to the Convention on Biological Diversity were agreed by the Environment Council on 23 March.

9.15 On 16–17 June, the Environment Council agreed conclusions on the EU Biodiversity Strategy.

European Environment Agency

9.16 The revised European Environment Agency regulation was agreed by the Environment Council on the 16–17 June.

Genetically Modified Organisms

9.17 An initial Ministerial orientation debate was held on the proposal for a revision to the directive on the deliberate release of genetically modified organisms at the Environment Council on 16–17 June. A brief discussion was also held on the Commission's proposal to end the Austria and Luxembourg bans on genetically modified maize.

9.18 The European Parliament delivered their second reading in June on the amendment to the directive on the contained use of genetically modified micro-organisms.

Eco-labelling

9.19 The Environment Council held an orientation debate on the proposal for a revised regulation on eco-labelling on 16–17 June. In the light of these discussions the Commission have agreed to revise this proposal.

General

9.20 On 23 March the Environment Council agreed conclusions for the Sixth Session of the Commission of Sustainable Development which focused on the development by the international community of a strategic approach to the provision of freshwater, and industry and sustainable development.

9.21 The Environment Council on 16–17 June agreed conclusions that prepared the EU's position for the Fourth Pan-European Conference of Environment Ministers held in Denmark at the end of June.

9.22 Also on 16–17 June, Environment Ministers agreed conclusions on the follow up to the Bergen North Sea Intermediate Ministerial Meeting on the integration of fisheries and environmental issues. This issue was also considered in parallel in the Fisheries Council and is a good example of the integration of environmental policy into sectoral policies.

9.23 Conclusions were also agreed on 16–17 June, which prepared the EU's position on the disposal of disused offshore oil installations before its discussion in the OSPAR Commission.

TRANSPORT

Air

9.24 At the Transport Council on 17 March, member states showed strong support for the proposal to establish a new European Aviation Safety Authority (EASA). It was agreed that work should continue with the aim of adopting a Council decision in June. On 17–18 June, the Transport Council adopted a mandate authorising the Commission to start negotiations, on behalf of the European Community and the member states, towards the establishment of EASA.

9.25 On 17 March, the Transport Council took note of progress on a draft negotiating mandate for Community membership of the European Organisation for the Safety of Air Navigation (EUROCONTROL), again with a view to adoption in June. On 17–18 June, the Transport Council adopted a mandate authorising the Commission to negotiate Community membership.

9.26 On 17 March, the Transport Council discussed the Community's role in EC/US air transport negotiations, in the light of the Commission's existing mandate and a recommendation by the Commission for supplementary negotiating directives. It was agreed that officials should undertake further technical work. Several Ministers expressed regret that the Commission had recently sent Reasoned Opinions to a number of member states.

9.27 Also on 17 March, the Transport Council agreed conclusions welcoming the Commission's recent Communication on satellite navigation systems. During the 17–18 June Transport Council, on behalf of the European Community, the Minister for Transport, as Chairman of the Transport Council, and the Transport Commissioner signed a tripartite agreement, with the Directors-General of EUROCONTROL and the European Space Agency, on a European contribution to a Global Navigation Satellite System.

9.28 On 17–18 June, the Transport Council reached a common position on a draft regulation amending Regulation 2299/89 on a code of conduct for computerised reservation systems (CRSs) in air transport.

9.29 Also on 17–18 June, the Transport Council reached conclusions welcoming a draft regulation amending Regulation 295/91 on denied boarding compensation in scheduled air transport, and calling for a decision on it at an early Council.

9.30 The 17–18 June Transport Council also reached conclusions supporting action at global level through the International Civil Aviation Organisation (ICAO) on the limitation of emissions of oxides of nitrogen (NO_x) from jet aircraft engines, though noting that the possibility of Community legislation remains open if ICAO fails to agree worldwide rules. The same Council reached broad agreement, pending receipt of the EP opinion, on the main elements of a draft directive to limit the use of re-certificated civil jet aircraft, usually modified by the fitting of "hush-kits". The Council also agreed that the draft directive be transformed into a regulation, to facilitate early implementation.

Road

9.31 On 17 March, the Transport Council reached a common position on a regulation on vehicle national identification signs, under which member states would not require a separate national

sign where one is already included (in specified form) in the vehicle number plate, and adopted a regulation on the harmonisation of statistics on the movement of freight by road.

9.32 The Transport Council on 17 March also made progress in its consideration of the proposed directive on heavy goods vehicle taxation and charging. The Presidency put forward a compromise proposal, with further modifications in response to concern expressed by delegations, but agreement could not be reached.

9.33 At the same Council, the Commission reported on its negotiations with the Swiss Government on proposals for a land transport agreement between the Community and Switzerland. Following clarification of some outstanding points the majority of delegations were broadly supportive. Presidency conclusions reflecting the Council discussion were drawn. The General Affairs Council will take the final decision for the Community on a series of proposed agreements with Switzerland.

9.34 On 17–18 June, the Transport Council reached broad agreement on a draft directive on roadside inspection of commercial vehicles.

9.35 At the same Council, the Commission reported on progress in developing legislative proposals to extend working time rules to the road transport sector.

Sea

9.36 On 17–18 June, the Transport Council reached broad agreement, pending receipt of the European Parliament's opinion, on a directive requiring safety inspection of passenger ferries. The Council also debated the Commission's Green Paper on ports and maritime infrastructure, agreeing that the Commission should give priority to further work on principles for infrastructure charging and financing, including an inventory of public funding, and on a regulatory framework for port services.

9.37 At the same Council, there was a first exchange of views on two recent Commission proposals on the crewing of vessels operating regular passenger and ferry services within and between member states.

Rail

9.38 On 17–18 June, the Transport Council continued the discussion begun at the Informal Council in April (see below) on the Commission Communication proposing step-by-step opening of the rail freight market.

General

9.39 At the Transport Council on 17 March, several delegations requested a study into the employment effects of the abolition in 1999 of duty-free sales for intra-Community travel. The Presidency agreed to forward the comments raised to ECOFIN.

9.40 At the same Council, the Minister for Transport, in the Chair, made a statement on the Presidency's plans to present a paper to Council on the subject of transport safety in the European Union. The paper was presented to the 17–18 June Transport Council. Following discussion of this paper by Ministers, the Commission accepted an invitation to produce a report on transport safety across all modes in the EU.

9.41 On 17–18 June, the Transport Council reached broad agreement on a draft directive establishing minimum common standards in examination requirements for safety advisers for the transport of dangerous goods by road, rail or inland waterway, pending receipt of the European Parliament's opinion.

JOINT ISSUES

Formal Joint Council

9.42 Early progress on integration was made in the field of transport and the environment, where an informal Ministerial debate in Chester in April (see below) was followed by discussion at official level of a set of conclusions, first drafted by the Presidency, and adopted unanimously by Transport and Environment Ministers in Luxembourg in June. These recognised the vital social and economic role of transport, but agreed that there were adverse environmental effects which mean that current trends in transport growth are unsustainable. The Council emphasised the importance of an integrated approach, and while agreeing that much had already been achieved, called for a wide range of further measures at both Community and Member State level, including the development of national action plans. The Council's conclusions also established a process for the future, providing for the Commission to report to the Council on developments in this area, and for the Council to meet jointly again from time to time, to take stock of progress.

Informal Joint Council

The first ever Informal meeting of Environment and Transport Ministers was held in Chester on 24–26 April. Discussions were held separately on a review of EU chemicals legislation by Environment Ministers, whilst Transport Ministers considered the reduction of congestion and pollution by getting more freight on to rail. A joint session on Sunday of Environment and Transport Ministers agreed a set of proposals to be put before the formal joint session of the Environment and Transport Council in June aimed at integrating environment and transport policies, and maintaining this momentum for change across more than one six month Presidency.

In addition there was an exhibition of 'Greener Transport' organised in association with the Motor Industry, aimed at encouraging the take up of new vehicle technology to cut pollution and improve air quality. The event also saw the launch of a new initiative by some European cities giving green vehicles exclusive rights to city centres.

Annex to Chapter 9: Other Major Proposals adopted

European Parliament and the Council Directive (EC) 98/8 concerning the placing of biocidal products on the market. Adopted 16 February.

Council Directive (EC) 98/24 on the protection of the health and safety of workers from the risks related to chemical agents at work (fourteenth individual Directive within the meaning of Article 16(1) of Directive 89/39/EEC). Adopted 7 April.

Council Decision (EC) 98/142 concerning the conclusion of an Agreement on international humane trapping standards between the European Community, Canada and the Russian Federation and of an Agreed Minute between Canada and the European Community concerning the signing of the said Agreement. Adopted 26 January.

Council Decision (EC) 98/145 on the approval, on behalf of the European Community, of the amendments to Appendices I and II to the Bonn Convention on the conservation of migratory species of wild animals as decided by the fifth meeting of the Conference of the Parties to the Convention. Adopted 12 February.

Council Decision (EC) 98/216 on the conclusion, on behalf of the European Community, of the United Nations Convention to combat desertification in countries seriously affected by drought and/or desertification, particularly in Africa. Adopted 9 March.

Council Decision (EC) 98/241 concerning the approval, on behalf of the Community, of PARACOM Decision 96/1 on the phasing-out of the use of hexachloroethane in the non-ferrous metal industry. Adopted 23 March.

Council Decision (EC) 98/392 concerning the conclusion by the European Community of the United Nations Convention of 10 December 1982 on the Law of the Sea and the Agreement of 18 June 1994 relating to the implementation of Part XI thereof. Adopted 23 March.

10. Industry, Energy and Consumer Issues

INDUSTRY

Competitiveness

As a new initiative, the Presidency invited Industry Ministers to have dinner with representatives of industry, on the eve of the 7 May Council, to discuss competitiveness. The dinner was attended by representatives of the European Round Table, Union of Industrial and Employers' Confederations of Europe (UNICE) and the European Trade Union Congress (ETUC), as well as the Chairmen of the Business Environment Simplification Task Force (BEST), the High Level Group on Industrial Restructuring and the Chairman and members of President Santer's Competitiveness Advisory Group. This was an important step in developing a real dialogue between industry and the Council of Ministers and all agreed that the dialogue should be maintained.

The Industry Council also held a debate on the competitiveness of European Industry, mainly focusing on the key factors at national and supra-national level influencing competitiveness of EU industry and how they can be achieved. There was agreement on the importance of addressing competitiveness at the European level and the key factors as identified by the dinner and confirmed by the Council's discussion were:

- encouraging competition;
- efficient functioning of the Internal Market;
- a framework for innovation;
- continuous development of skills and labour adaptability;
- efficient markets for risk capital;
- improved environment for business start-up; and
- entrepreneurship

There was strong support for continuing the Council's work on competitiveness in future Presidencies.

Shipbuilding

10.1 The Industry Council adopted a regulation on new rules on aid to shipbuilding, which comes into force on 1 January 1999. Operating aid will be eliminated from end 2000 and remaining forms of support will be re-focused to improve the industry's

competitiveness, such as aid for R&D and innovation and the easing of restrictions on regional investment aid. Monitoring provisions will be strengthened to ensure that the new rules are complied with. These measures will lead to an overall reduction in the level of European shipbuilding subsidies.

State Aids

10.2 The Industry Council had an in-depth discussion on a proposed regulation laying down detailed rules for the application of general state aid rules. Good progress was made and there was a clear political will in favour of a regulation. The Presidency concluded that further work should be undertaken by officials to enable the Council to reach a political agreement.

Late Payment of Commercial Debt

10.3 The Commission, on 25 March, published a proposal for a European Parliament and Council directive combating late payment in commercial transactions. The directive seeks to ensure a common approach across member states to the problem of late payment. On 8 June the UK held a first working group meeting to discuss this important issue.

Other matters

10.4 The Industry Council took note of a progress report by the Commission on the Business Environment Simplification Task Force (BEST) and a Commission communication on Fostering Entrepreneurship in Europe. The Presidency noted that there was agreement on the importance of entrepreneurship for competitiveness, growth and jobs. (See Chapter 13.) The Council agreed conclusions on the competitiveness of the Construction Industry and a plan of action to increase the competitiveness of the European Textile and Clothing Industry.

TELECOMMUNICATIONS

10.5 Following the political agreement reached at the 26 February Telecommunications Council, the 8 June Council adopted a common position on a directive on telecommunications and radio terminal equipment.

10.6 The 19 May Telecommunications Council made substantial progress on two decisions: on the further development of mobile and wireless communications in Europe (UMTS); and on a multi-annual programme to promote the safe use of the Internet.

10.7 Additionally, the 26 February and 19 May Telecommunications Councils respectively adopted conclusions on two Commission Communications on; Internet domain name governance; and on Globalisation and the Information Society.

ENERGY ISSUES

Gas Directive

10.8 On 12 February, the Research Council adopted a common position on common rules for the internal market in natural gas. The European Parliament subsequently approved the common position and it was formally adopted by the May Energy Council.

Energy and the Environment

10.9 Following an open debate on energy and the environment, the May Energy Council adopted conclusions on the energy response to the Kyoto conference on climate change which agreed the need for action both at national and EU level in the areas of renewable energies, combined heat and power and energy efficiency. The Council also adopted a resolution in response to the Commission's White Paper on renewable energy sources which urges member states to develop national strategies with a view to bringing about a substantial increase in the use of renewables throughout the EU.

Energy Framework Programme

10.10 The May Energy Council held further discussions on the energy framework programme which brings together all community energy specific programmes e.g. ALTENER, SAVE, to support energy efficiency as well as a new programme to promote clean solid fuel technology. A final decision has been deferred until after the opinion of the European Parliament is received.

CONSUMER AFFAIRS

10.11 Progress was made on several measures to improve the operation of the single market to benefit consumers by increasing their confidence and facilitating redress.

10.12 The Government achieved a key objective when the 23 April Consumer Council reached political agreement to a common position on a directive on the sale of consumer goods and associated guarantees which will give EU consumers common minimum rights when they are sold faulty goods. The directive will give consumers a clear right to have faulty goods repaired or replaced for up to two years if a defect appearing in that time can be shown to be present at the time of delivery. If neither repair nor replacement is possible or

proportionate, the consumer would be entitled to price reduction or (except in the case of minor defects) to rescind the contract. If a fault occurs within six months it will be presumed to have existed at delivery, making it easier for rights to be asserted in court. The directive will also put beyond doubt that manufacturers' guarantees will be legally binding.

10.13 The Council also adopted the Injunctions Directive (98/27) which will improve the enforcement of consumer protection law by enabling consumer bodies to take court action in other member states to stop traders contravening the collective consumer rights provisions of nine existing consumer protection directives.

10.14 Another priority of the Presidency was to improve the enforcement of Community consumer protection laws by promoting better co-operation among member state enforcement bodies and by sharing best practice. At the Consumer Council the Commission gave a presentation on the effective application and enforcement of Community consumer legislation, and the debate was taken forward in June at a forum in Edinburgh in which EU and EEA member states and representatives of business and consumer bodies also participated.

11. Structural and Other Funds

Structural and Cohesion Funds

Following its Agenda 2000 communication, the Commission published on 18 March its draft regulations for the Structural and Cohesion Fund from 2000 to 2006. The Commission based its draft regulations on three main themes. First, financial solidarity, to contain the cost of the Funds to no more than 0.46 per cent of EU GNP. This equates to 275 billion ecu (£199.056 billion) at 1997 prices. Secondly, to promote the development and conversion of regions whilst recognising member states efforts towards budgetary rigour. Thirdly, to simplify the Funds to ensure greater cost-effectiveness.

The draft regulations propose reducing the number of Objectives from 7 to 3 by merging the present Objectives for regions where development is lagging behind (Objective 1 and 6), by merging the Objectives for declining industrial and rural areas (Objective 2 and 5b), and by merging Objectives 3 and 4 to deal specifically with employment and industrial change. The Commission also proposes reducing the number of Community Initiatives from 14 to 3. An important addition to the draft regulations in contrast to the Agenda 2000 communication is that of the safety net. This ensures no member state will lose more than one third of their existing Objective 2 and 5b coverage.

Negotiations on the reform of the Structural and Cohesion Fund started in early April, concentrating on administrative simplification issues. An Informal meeting of Regional Policy and Spatial Planning Ministers was held in Glasgow on the 8–9 June. This gave Ministers their first chance to discuss matters relating to the draft regulations on the Structural and Cohesion Funds and therefore the meeting was well received by member states who agreed on the importance of making rapid progress on reform of the Structural Funds as part of the overall Agenda 2000 package.

At the Cardiff European Council on 15-16 June, the Presidency conclusions noted the need for the Council to intensify its work. Substantial progress should be made at the Vienna European Council on the key elements of the package so that political agreement can be reached on the package as a whole no later than March 1999.

Objective 3

11.1 Discussions during the plenary session of the informal Social Affairs and Education Council indicated that other member states share UK concerns over the proposal that Objective 3 money be available outside Objective 1 and 2 areas. The great majority of

member states made the point that the European Social Fund should be able to support national programmes if it is to contribute to National Employment Action Plans and thus to the objectives set out in the Employment Guidelines.

Objective 4

11.2 On 13 March, the European Commission agreed the UK's first Objective 4 plan which will make available up to £160 million over two and a half years to support the adaptation of workers to industrial change. This is the first time that one of the main programmes of the Structural Funds in the UK has been targeted at employed people.

Interreg IIc

11.3 On 3 June the Commission approved the North West Metropolitan Area Programme submitted by Belgium, France, Germany, Ireland, Luxembourg, Netherlands and the UK under the Interreg IIc Community Initiative, which aims to promote transnational co-operation on spatial planning. Spatial planning, in this context, seeks to improve co-ordination, at the cross-border and transnational level, of consideration of the land use and planning implications of economic and social developments in and around the European Union.

ADAPT: Human Resource Community Initiative

11.4 A third call for ADAPT applications with a budget of £76.3 million took place, seeking projects which would take forward the aims of ADAPT and contribute to the development of the UK Government's University for Industry. The considerable interest shown in the call resulted in a large number of good quality applications. ADAPT is a Community Initiative aimed at assisting workers, especially those threatened with unemployment as a consequence of industrial change.

European Spatial Development Perspective

11.5 On 8 June, Ministers responsible for spatial planning in the EU met informally in Glasgow, with the European Commissioner for regional policy, to discuss a complete draft of the European Spatial Development Perspective (ESDP). The ESDP is an intergovernmental initiative, supported by the European Commission, designed to encourage cross-border and inter-regional co-operation on spatial development and planning matters. There was general support for the measures identified in the draft, and Ministers and the Commissioner welcomed this complete draft as the basis for the final ESDP.

Ireland Special Support Programme for Peace and Reconciliation

11.6 The European Parliament approved, in April, the 1999 provisional draft budget which included a further 100 million ecu (£65.712 million) for the Programme.

International Fund for Ireland

11.7 In April the fund received a Community contribution of 4 million ecu (£2.628 million) out of the 17 million ecu (£11.170 million) agreed for 1998. The fund was established as an independent organisation to administer funding for projects in Northern Ireland and Republic of Ireland border counties. The main objectives are to promote economic and social advance and to encourage dialogue and reconciliation.

12. Subsidiarity and Better Regulation

12.1 The Chancellor of the Duchy of Lancaster hosted a number of events to drive forward work to achieve better regulation at EU and national levels. On 20 January, he with Lord Simon, Minister for Trade and Competitiveness in Europe, and Commissioner Mario Monti, launched the Commission's Citizens First initiative in the UK. This initiative aims to inform people across Europe of their rights under Single Market legislation; its launch in the UK gives UK citizens access to a large quantity of regulatory information available through a telephone hotline, an Internet site and published guides.

12.2 On 28 January, the Chancellor of the Duchy co-hosted a seminar for MEPs in Brussels on better EU regulation with the Austrian Federal Economics Minister, Dr. Hannes Farnleitner. This seminar established an ongoing dialogue with MEPs on better regulation and brought into sharper focus the role of the European Parliament in improving the quality of EU legislation. This was the first joint event in the co-operation on better regulation between the UK and Austrian governments across both countries' Presidencies.

Simplification

12.3 On 13 February, an informal meeting of Internal Market Ministers in Cambridge discussed better EU regulation, with the Chancellor of the Duchy giving a presentation on the UK's experience. The Commission announced that the areas to be examined in the third phase of its Simpler Legislation for the Internal Market (SLIM) initiative would be legislation covering insurance, electromagnetic compatibility and co-ordination of social security rules. Internal Market Ministers expressed strong support for SLIM and a desire to have a greater involvement in the development of the initiative. They also gave their blessing to the Commission's pilot test panel of European businesses and agreed to regular exchanges of national simplification experience.

Pilot Test Panel of European Businesses

The pilot test panel is a new Commission initiative to consult business, and especially small and medium-sized enterprises, direct on the potential increases or reductions in burden stemming from new EU legislative proposals. The UK, under whose Presidency the initiative was launched, is a strong supporter of this mechanism for better consultation with business and will be one of nine member states in the pilot phase. The UK pilot panel will be formed on an ad hoc basis, with firms being selected in collaboration with UK business organisations according to the proposal at hand. The Cabinet Office Better Regulation Unit will co-ordinate the UK's involvement in the panel. The first two areas to be consulted on under the pilot panel are new legislative proposals on accounting and VAT, with the first consultation due to take place in September 1998.

Better Government: More Effective Legislation

12.4 The Chancellor of the Duchy hosted a Presidency Conference in Manchester on 9–10 March on the theme of “Better Government: More Effective Regulation”. 250 delegates attended, including senior EU regulators, Commission officials, representatives of consumer groups, business people and the social partners; every member state was represented. The purpose of the event was to bring together those with an interest in better regulation to consider ways in which the quality of EU legislation could be improved. The main messages from delegates were pulled together into a document, ‘Ten steps to better government: more effective regulation’ and forwarded to the European Commission and Internal Market and Public Administration Ministers. The outcomes were welcomed by Internal Market Ministers at the IMC on 30 March, and endorsed at a meeting of ten EU Public Service Ministers, hosted by the Chancellor of the Duchy, at Lancaster House on 20 May. More information on the conference outcome, programme and speeches can be found at the Cabinet Office Better Regulation Unit Internet site at:

[http : \\www.open.gov.uk\co\bru\bruhome.htm](http://www.open.gov.uk/co/bru/bruhome.htm)

The Austrians will host a follow-up conference on the theme of ‘Better Regulation serves Employment’ under their Presidency.

Small Businesses

12.5 The Business Environment Simplification Task Force (BEST), established following the Amsterdam European Council to identify barriers to small business development, made several recommendations in the area of better regulation and improved public administration in a report to the Cardiff European Council. The Task Force was chaired by Dr. Chris Evans of Merlin Ventures. A key recommendation was that central Better Regulation Units be established in the Commission, Council and member states to drive forward and co-ordinate better regulation activity across Europe. Other recommendations concentrated on improving the business climate for entrepreneurs and the promotion of entrepreneurship. The Council asked the Commission to draw up a timetable for action and to assess the extent to which current policies encourage entrepreneurship.

Cardiff European Council

12.6 The Commission presented a report, “Legislate Less to Act Better: The Facts”, to the Cardiff European Council, covering better regulation, subsidiarity and quality drafting of legislation. In this paper, the Commission pledged to ensure the continued success of SLIM, to improve access to information through information technology, to respond to the BEST recommendations and to respect the principles of subsidiarity and proportionality.

12.7 At the Cardiff European Council Heads of State and Government gave their backing to work on better regulation, urging the Commission, Council and member states to work together to improve the regulatory environment for small firms and encourage entrepreneurship. A Commission communication “Fostering Entrepreneurship in Europe: Priorities for the Future”, setting out a number of priority issues for action at national and European level in order to foster entrepreneurship in Europe was presented to Industry Council on 7 May. The Council invited the Commission to report on progress in all these areas to the Vienna European Council under the Austrian Presidency.

Quality of Drafting of Legislation

12.8 The UK Presidency also took forward work to produce inter-institutional guidelines to improve the quality of drafting of legislation, as called for in Declaration No. 39 annexed to the Treaty of Amsterdam. The Council, Commission and European Parliament set up a joint group of officials from their legal services to produce a first text of the guidelines. This group recognised the need to draw on the experience of officials in member states responsible for implementing Community legislation. An ad hoc Working Party was set up in the Council to bring member state experts together and to collect ideas for the guidelines based on their experience.

“Enterprising Europe” Conference

12.9 This Presidency event was held 6–7 April at the Brewery Conference Centre, London. Delegates from the EU and beyond discussed how Europe could become more enterprising, and debated entrepreneurship, networking and access to finance. Speakers from the US and Hong Kong provided an insight into their entrepreneurial cultures, while speakers from the UK and elsewhere in the EU also made valuable contributions. A Conference report has been produced, and a pilot “Enterprise Healthcheck” is being produced by EIM in the Netherlands. Key messages from the Conference were relayed to the Industry Council on 7 May.

13. Common Foreign and Security Policy (CFSP)

13.1 The UK's Presidency of the European Union was a period of intensive activity. The General Affairs Council and Political Committee met regularly to consider a range of pressing issues, with developments in the former Yugoslavia, the Middle East and the Great Lakes Region in particular featuring high on CFSP agendas. The EU responded quickly to further terrorist killings in Algeria, including by sending an EU Ministerial Troika, led by Mr Fatchett, to Algiers in January, and worked hard to break the deadlock in the Middle East Peace Process with visits to the region by the Foreign Secretary in March and the Prime Minister in April. The UK also hosted talks on the MEPP in London in May.

13.2 The adoption of an EU Code of Conduct setting high common standards for arms exports was a ground-breaking achievement. In addition, the EU also agreed a broader approach to EU/China relations and a review of EU policy towards Iran, resulting in the resumption of dialogue between the EU and Iran.

Common Positions and Joint Actions

13.3 The EU agreed a range of Common Positions and Joint Actions, as well as other common measures, including on:

- financial support to the new moderate governments in Republika Srpska and Montenegro;
- imposing a ban on new investments in Serbia; a freeze on funds held abroad by the Federal Republic of Yugoslavia (FRY) and Serbian Governments; a moratorium on government-financed export credit support for trade and investment; a visa ban on senior FRY and Serbian representatives responsible for repressive action by FRY security forces in Kosovo; and a ban on flights by Yugoslav carriers between the FRY and European Community;
- the appointment of Mr Felipe Gonzalez as the EU's Special Envoy for Kosovo;
- measures and support for recovery from genocide, national reconciliation, and democracy and human rights in Rwanda;
- measures to bring about a sustainable peace in Afghanistan, promote respect for human rights, provide effective humanitarian aid and reinforce the fight against illegal drugs and terrorism;

- extending support for the democratic transition process in the Democratic Republic of Congo;
- promotion of respect for human rights, democratic principles, the rule of law and good governance in Africa;
- extension for a further six months of the Common Position on Burma, which includes measures such as an arms embargo and visa ban; and
- negotiations to strengthen the Biological and Toxin Weapons Convention and on the 2000 Review Conference of the Treaty on the non-proliferation of Nuclear Weapons.

13.4 In addition, work was taken forward on the new CFSP instruments (eg the Office of the High Representative) to be established under the Amsterdam Treaty. In particular, agreement was reached on how the Policy Planning and Early Warning Unit should be implemented. Work continued to elaborate the relationship between the EU and Western European Union culminating in a successful seminar, held in association with the Greek WEU Presidency, testing interaction in the event of a crisis.

13.5 The EU also issued 63 declarations and statements on countries and issues within the framework of CFSP. These covered, inter alia, the crisis in Iraq, massacres in Burundi, Latvian citizenship legislation, nuclear testing by India and Pakistan, the change of leadership in Nigeria, and the abolition of the death penalty in Estonia. A full list of declarations can be found in the following Annex.

Annex to Chapter 13: European Union Declarations and Statements

6 January	* Kenya
7 January	Burundi
15 January	* Croatia
19 January	Republica Srpska
21 January	Turkey
30 January	Afghanistan
30 January	* Zambia
9 February	Sri Lanka
13 February	Former Yugoslavia Republic of Macedonia
16 February	* Iran
19 February	Azerbaijan
20 February	Sierra Leone
20 February	Iraq
24 February	Cuba
25 February	Albania
27 February	* Croatia
27 February	* Belarus
3 March	Federal Republic of Yugoslavia (FRY)
3 March	Iraq
6 March	Comprehensive Test Ban Treaty
10 March	Slovakia
15 March	Bosnia Herzegovina
20 March	Nigeria
23 March	* FRY
24 March	* FRY
24 March	FRY
27 March	Estonia
1 April	FRY
8 April	Rwanda
16 April	Afghanistan
17 April	Latvia
24 April	Nigeria
1 May	* Sudan
4 May	Guatemala
5 May	Nigeria

7 May	<i>Middle East Peace Process</i>
8 May	* <i>Democratic Peoples Republic of Korea (North Korea)</i>
11 May	<i>FRY</i>
13 May	<i>Turkey</i>
13 May	* <i>Indonesia</i>
14 May	<i>Burma</i>
15 May	<i>Ethiopia/Eritrea</i>
15 May	<i>Sierra Leone</i>
20 May	<i>Romania</i>
27 May	* <i>Nigeria</i>
28 May	<i>Pakistan</i>
29 May	* <i>Niger</i>
29 May	<i>Mozambique</i>
2 June	* <i>Georgia/Abkhazia</i>
4 June	<i>Black Sea Economic Co-operation</i>
8 June	* <i>Tajikistan</i>
8 June	<i>Guinea-Bissau</i>
9 June	<i>Latvia</i>
9 June	<i>FRY/Kosovo</i>
11 June	<i>Illicit arms trafficking</i>
11 June	* <i>Burundi</i>
11 June	<i>Africa</i>
12 June	<i>FRY/Kosovo</i>
12 June	* <i>Nigeria</i>
15 June	<i>India/Pakistan Nuclear tests</i>
15 June	<i>FRY/Kosovo</i>
16 June	<i>FRY</i>
16 June	* <i>Guinea-Bissau</i>

* *Declarations to which the Associate Countries, Cyprus and EFTA/EEA have been associated.*

14. Justice and Home Affairs

Immigration and Asylum

14.1 The General Affairs Council on 26 January adopted the EU Action Plan to combat the influx of migrants from Iraq and the neighbouring region and priority was given to the implementation of the Action Plan. The Justice and Home Affairs (JHA) Councils on 19 March and 28–29 May noted progress reports on implementation of the plan and stressed the need to pursue a dialogue with Turkey.

14.2 The JHA Council on 19 March agreed joint actions on the exchange of information in immigration and asylum matters and on sharing the cost of preparing film masters for the uniform format of residence permits.

14.3 The JHA Council on 28–29 May had a full discussion of outstanding issues on the Eurodac Convention, which is concerned with fingerprinting of asylum applicants for the purposes of implementing the Dublin Convention. It was agreed that a Protocol, intended to be adopted by the end of 1998, should be drawn up to extend the convention to fingerprints of illegal immigrants.

14.4 After the Council, the first ever meeting was held of the committee of Ministers set up under Article 18 of the Dublin Convention, which lays down criteria for determining the state responsible for deciding asylum applications. The committee adopted a decision and a comprehensive programme of action designed to improve the practical operation of the convention.

14.5 The JHA Council on 28–29 May also agreed a recommendation seeking to establish uniform levels of expertise and equipment for detecting forged documents at points of entry into the EU, and noted a Council Communication concerning a uniform format for residence permits.

Europol

14.6 The JHA Council on 19 March approved the Europol Drugs Unit (EDU) activity report for 1997 and its work programme for 1998. At the same meeting agreement was reached on the regulations concerning the receipt of data from third states and third bodies, and Europol's confidentiality regulations.

14.7 The JHA Council on 28–29 May agreed the Europol budget for 1998 and the early extension of Europol's mandate to include terrorism.

14.8 All member states have now completed their necessary domestic procedures and all instruments of ratification have been deposited with the General Secretariat of the Council. The Europol Convention will now enter into force on 1 October 1998.

Organised Crime

14.9 The JHA Council on 19 March gave political endorsement for the broad approach of the G8's 40 recommendations against organised crime and their 10 principles and associated action plan on high tech crime. At the same meeting, political agreement was reached on a joint action on participation in a criminal organisation.

14.10 The Cardiff European Council on 15–16 June welcomed the excellent progress made on the action plan against organised crime. All the action points with deadlines of end 1997 or mid 1998 have either been completed or are well under way.

Police Co-operation

14.11 The JHA Council on 19 March agreed an instrument to improve the measures necessary to deal with missing persons and unidentified bodies. The Council also agreed a format for the electronic exchange of fingerprint information between law enforcement agencies.

14.12 The JHA Council on 28–29 May agreed a report on football hooliganism, which stemmed from the conclusions of the successful Blackburn seminar on this subject, and work done since then.

14.13 At the same meeting, the JHA Council agreed to the creation of crime prevention contact points in member states, with a view to improving the arrangements for the exchange of information and best practice on crime prevention matters, in preparation for the coming into force of the Treaty of Amsterdam. It also agreed conclusions on encryption and law enforcement and noted progress made through an experts meeting, on measures to allow the exchange of DNA analysis results.

Drugs

14.14 The JHA Council on 28–29 May approved the Third Pillar aspects of a report from the cross-pillar horizontal drugs group on anti-drugs activity during the past six months. The report included proposals for the key elements of a post-1999 EU drugs strategy, (and priorities for action in 1998/99), which were endorsed by the Cardiff

European Council. The key elements, which will be worked up into a detailed plan by the Austrian and German Presidencies, strike the necessary balance between supply reduction — with a particular focus on practical co-operation at working level between law enforcement and judicial agencies — and demand reduction.

Customs Co-operation

14.15 The JHA Council on 19 March noted a report on the effectiveness of co-operation between EU customs administrations in carrying out three customs joint surveillance exercises in 1997. In the first half of 1998 three further joint surveillance exercises took place. These involved member states, applicant countries and key third countries. One of these exercises concentrated on illicit trafficking along the Balkan route; twenty eight European countries participated and over a two week period seized drugs, cash, ammunition, stolen goods and counterfeit textiles worth over £10 million.

14.16 The JHA Council on 28–29 May endorsed a report and recommendations for future follow-up action on the 1996 Joint Action on Memoranda of Understanding between customs and the business organisations in combating drug trafficking. Similarly, the Council endorsed a report with recommendations for future follow-up action on the 1996 resolution on police/customs co-operation.

14.17 At the same meeting, the Council agreed draft rules of procedure for the Customs Information System (CIS) Management Committee. These will need to be formally adopted by the Management Committee at its first meeting after the Convention of 26 July 1995 on the Use of Information Technology for Customs Purposes enters into force.

Judicial Co-operation

14.18 At the JHA Council on 28–29 May, member states signed the Convention on jurisdiction and recognition and enforcement of judgments in matrimonial matters (known as the “Brussels II” Convention) and an associated Protocol relating to the jurisdiction of the European Court of Justice. This agreement establishes grounds of jurisdiction in relation to proceedings for decrees of divorce and nullity and separation orders, as well as in relation to any ancillary proceedings for parental responsibility orders. It will also facilitate the recognition and enforcement of these decrees and orders throughout the EU.

14.19 In the framework of implementation of the recommendations contained in the EU action plan on organised crime, a Joint Action establishing a European judicial network was agreed. This is designed to speed up and improve the effectiveness of international

judicial co-operation in criminal matters and to facilitate contacts between magistrates and prosecutors.

14.20 The JHA Council on 28–29 May further agreed a Joint Action on good practice in mutual legal assistance in criminal matters with the aim of reducing delays in member states in executing requests for legal assistance.

14.21 At the same meeting, the Council reached political agreement on the Convention on Driving Disqualifications, which was adopted and signed by all member states at the Council on 17 June. This convention is an important road safety measure which will enable a driving disqualification imposed in one member state on the resident of another member state to be enforced against the person when he or she returns home.

Terrorism

14.22 The JHA Council on 28–29 May agreed a list of action points aimed at combating terrorism by cutting off sources of funding. A report on the internal and external threat to the EU from terrorism was also agreed.

Openness

14.23 The JHA Council on 19 March agreed proposals designed to improve openness and transparency, in particular by making details of proposals in the JHA field available more easily and earlier, providing more frequent and more detailed information for the press, and holding open debates on particular topics from time to time.

14.24 Organised crime was the subject of the first open debate held by the JHA Council, which took place on 28 May. Ministers stressed concerns about the growing threat posed by criminal organisations and the need for member states to act both individually and collectively to combat the threat. They agreed that environmental and economic crime in particular were activities on which more work should be taken forward.

14.25 A Council decision to publish a comprehensive public register of Council documents was also agreed.

Enlargement

14.26 Work was completed within the Council in June, in close association with the Commission, on defining the *acquis* in the JHA area, and this has been communicated formally to the candidate countries.

14.27 The JHA Council on 28–29 May also agreed a joint action establishing a mechanism for collective evaluation of applicant states' implementation of the acquis in the JHA field. A new expert group will be formed and will be able to draw on the wide range of information already available and feed the results into the wider enlargement process. The expert group will have the task of preparing and keeping up to date collective evaluations of the situation in the candidate countries on the enactment, application and effective implementation of the acquis in the JHA field.

14.28 At the same meeting, the Council adopted Council conclusions on the 'rule of law', which will provide guidelines to the applicant states building democratic and accountable institutions as a necessary pre-condition for EU membership. The guidelines will also help the Commission in assessing the applicant states' readiness for accession. The conclusions build on the conclusions of the Ministerial conference on the rule of law held in Noordwijk in June 1997.

14.29 The EU Justice and Interior Ministers held a joint meeting on 28 May with their counterparts from the applicant countries, at which the pre-accession pact on organised crime was approved. The pact, which was one of the recommendations of the EU's action plan on organised crime, will enable existing co-operation to be intensified during the pre-accession period.

14.30 At its inaugural meeting in London on 12 March, the European Conference concluded that a group of experts should be established to consider, with the European Commission, what more might be done to tackle the problems associated with organised crime and trafficking of drugs. The first meeting of the experts group was held on 10 June. It agreed on a number of early action points and to report to the European Conference meeting in March 1999.

Title VI Financing

14.31 The JHA Council on 19 March agreed Joint Actions establishing two new Community funded programmes. The Falcone programme will support exchanges, training and co-operation, specifically targeting action against organised crime. The Odysseus programme will support training, exchanges and co-operation in the field of asylum, immigration and the crossing of external borders.

Racism and Xenophobia

14.32 The JHA Council on 28–29 May agreed a report on the implementation of the Joint Action to combat racism and xenophobia.

Presidency Organisation and Events

14.33 A Seminar for Practitioners of the Dublin Convention on Asylum Seekers was held in Slough on 1–2 April 1998. The seminar was attended by some 60 delegates from member states and also representatives from the United Nations High Commissioner for Refugees (UNHCR)

14.34 The EU/US/Canada seminar on illegal immigration and enforcement priorities was held at Sunningdale on 11–12 June.

14.35 The UK Presidency supported an EU Drugs Prevention Conference organised by the Standing Conference on Drugs Abuse in Brighton on 18–19 May. This brought together policy makers and NGO practitioners from the EU, accession countries and others to discuss best practice in drugs prevention and education and the targeting of young people at risk.

14.36 The UK Presidency Conference ‘Europe Against Racism’ took place in Manchester on 2–3 June. It brought together officials and NGO representatives from across the Union to discuss the way forward for the EU in this area. There was general agreement that this issue needed to be an integral part of future Presidency work programmes if the momentum of the European Year Against Racism is to be sustained.

Appendix A : Major Treaties and Agreements

* Denotes agreements signed during the period of the Luxembourg Presidency but not listed in Cm 3963.

Signed by the Member States

Agreement among the Government of Canada, Government of Member States of the European Space Agency, the Government of Japan, the Government of the Russian Federation, and the Government of the United States of America concerning co-operation on the Civil International Space Station.

Signed in Washington, 29 January

Miscellaneous

Convention drawn up on the basis of Article k.3 of the Treaty on European Union, on Mutual Assistance and Co-operation between Customs Administrations.

Signed in Brussels, 18 December 1997*

Signed by the Community and Member States

Czech Republic

Protocol concerning sanitary, phytosanitary and animal welfare measures in relation to trade to the Europe Agreement between the European Communities and their Member States, of the one part, and the Czech Republic, of the other part.

Signed in Brussels, 20 July and Prague, 21 July

Mexico

Economic Partnership, Political Co-ordination and Co-operation Agreement between the European Community and its Member States, on the one part, and the United Mexican States, of the other part, with Annex, Declarations and Final Act.

Signed in Brussels, 8 December 1997*

“Community Alone” Treaties

Bulgaria

Agreement in the form of an Exchange of Letters between the European Community and the Republic of Bulgaria on the reciprocal establishment of tariff quotas for certain wines.

Signed in Brussels, 19 March

Canada

Agreed Minute between Canada and the European Community concerning the signing of the Agreement on international humane trapping standards.

Signed in Brussels, 15 December 1997*

Cape Verde

Agreement in the form of an Exchange of Letters on the provisional application of the protocol defining, for the period 6 September 1997 to 5 September 2000, the fishing rights and the financial compensation provided for by the Agreement between the European Economic Community and the Republic of Cape Verde on fishing off the coast of Cape Verde.

Signed in Brussels, 20 January

Comoros

Protocol setting out, for the period 28 February 1998 to 27 February 2001, the fishing opportunities and financial contribution provided for in the Agreement between the European Community and the Islamic Republic of the Comoros on fishing off the Comoros.

Signed in Brussels, 27 February

Agreement in the form of an Exchange of Letters between the European Community and the Islamic Federal Republic of the Comoros concerning the provisional application of the Protocol setting out, for the period 28 February 1998 to 27 February 2001, the fishing opportunities and financial contribution provided for in the Agreement between the European Community and the Islamic Republic of the Comoros on fishing off the Comoros.

Signed in Brussels, 27 February

Cote d'Ivoire

Agreement in the form of an Exchange of Letters on the provisional application of the Protocol establishing for the period 1 July 1997 to 30 June 2000, the fishing rights and the financial contribution provided for in the Agreement between the European Economic Community and the Republic of Cote d'Ivoire on fishing off the coast of Cote d'Ivoire.

Signed in Brussels, 20 January

Georgia

Agreement in the form of an Exchange of Letters between the European Community and the Republic of Georgia maintaining in force the Agreement between the European Economic Community and the Republic of Georgia on trade in textile products initialled in Brussels on 17 November 1993 as amended by an Agreement in the form of an Exchange of Letters initialled on 15 June 1995.

Signed in Brussels, 15 June

Guinea

Protocol establishing the fishing possibilities and the financial compensation provided for in the Agreement between the European Economic Community and the Government of the

Revolutionary People's Republic of Guinea on fishing off the Guinean Coast for the period 1 January 1998 to 31 December 1999.

Signed in Brussels, 11 December 1997*

Latvia

Additional Protocol in the form of an Exchange of Letters between the European Community and the Republic of Latvia to the Free Trade Agreement between the European Communities and the Republic of Latvia and the Europe agreement between the Communities and their Member States and the Republic of Latvia.

Signed in Brussels, 12 November 1997*

Lithuania

Additional Protocol in the form of an Exchange of Letters between the European Community and the Republic of Lithuania to the Free Trade Agreement between the European Communities and the Republic of Lithuania and the Europe Agreement between the Communities and their Member States and the Republic of Lithuania.

Signed in Brussels, 6 November 1997*

Poland

Agreement in the form of an Exchange of Letters between the European Community and the Republic of Poland regarding the modernisation of the Polish oil sector within the framework of the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Poland, of the other part.

Signed in Brussels, 3 March and Warsaw, 24 March

Romania

Agreement in the form of an Exchange of Letters amending the Agreement in the form of an Exchange of Letters between the European Community and Romania on the reciprocal establishment of Tariff quotas for certain wines.

Signed in Brussels, 7 April

Russian Federation

Agreement between the European Community and the Russian Federation on trade in textile products.

Signed in Brussels, 28 March

United States of America

Agreement in the form of an Agreed Minute between the European Community and the United States of America on humane trapping standards.

Signed in Brussels, 18 December 1997*

Agreement between the European Community and the United States of America on sanitary measures to protect public and animal health in trade in live animals and animal products.

Signed in Brussels, 16 March

Agreement between the European Communities and the Government of the United States of America on the application of positive comity principles in the enforcement of their competition laws.

Signed in Brussels, 3 June

Vietnam

Agreement in the form of an Exchange of Letters between the European Community and the Socialist Republic of Vietnam on trade in textile and clothing products initialled on 15 December 1992, as last amended by the Agreement in the form of an Exchange of Letters initialled on 1 August 1995.

Signed in Brussels, 29 September–29 October 1997*

Yemen

Co-operation Agreement between the European Community and the Republic of Yemen.

Signed in Brussels, 25 November 1997*

Multilateral

Agreement between the European Community, the European Space Agency and the European Organisation for the Safety of Air Navigation on a European Contribution to the development of a global navigation satellite system (GNSS).

Signed in Luxembourg, 18 June

Appendix B, Part 1: List of European Court of Justice Cases involving the United Kingdom

This list includes all cases awaiting judgment and those in which judgment was received during the period. An asterisk denotes those cases in which the United Kingdom applied to intervene or submitted Observations/Pleadings during the period.

(i) Actions initiated by the United Kingdom under Article 173 of the EC Treaty.

1. C-150/94 : United Kingdom –v– Council

Application seeking the annulment of Council Regulation 519/94 in so far as it imposes quantitative quotas on three categories of toys originating in China.

2. C-274/94 : United Kingdom –v– Commission

Seeking the annulment of Commission Decision C23/94 of 27 July 1994 on the increased capitalization of Air France. Stayed pending decision of CFI in T371/94 (British Airways & Others –v– Commission).

3. C-180/96 and C-180/96R: United Kingdom –v– Commission

Seeking the annulment of Commission Decision 96/239/EC on the export of British beef and beef products and relative application for interim measures. See also Case C-157/96 and summary in Part 2 of this Appendix.

4. C-106/96, C-239/96, C-240/96, C-305/96 : United Kingdom –v– Commission

By these actions the UK is seeking the annulment of certain Commission decisions concerning expenditure on the ground that they lack legal base. Judgment in Case C-106/96 12 May. See Part 2 of this Appendix.

(ii) Direct actions against the United Kingdom under Article 169 of the EC Treaty.

1. C-340/96 : Commission –v– United Kingdom

Directive 80/778/EEC on the quality of water intended for human consumption. The Commission alleges that the UK has failed to implement this directive correctly in relation to arrangements for enforcing compliance by water companies and maximum admissible concentrations.

2. C-359/97 : Commission –v– United Kingdom

Sixth VAT Directive : road tolls.

(iii) Cases referred to the European Court under Article 177 of the EC Treaty from United Kingdom courts or tribunals.

1. C-127/95 : Norbrook Laboratories Ltd –v– MAFF

Conditions for the licensing of veterinary medicinal products; Directives 81/851 and 81/852. Judgment 2 April. See summary in Part 2 of this Appendix.

2. **C-296/95 : R –v– HM C & E, ex parte EMU TABAC**
Directive 92/12/EEC (excise duty on tobacco products) — whether imports effected by an agent are “personal” imports qualifying for exemption from duty. Judgment 2 April. See Part 2 of this Appendix.
3. **C-339/95 : Compagnia Di Navigazione Marittima**
Arbitral awards - whether these are “agreements” for the purpose of Article 85 EC. If so, whether enforcement of such an award might constitute a breach of that Article.
4. **C-1/96 : R –v– MAFF ex parte RSPCA**
Export of live veal calves. Judgment 19 March. See summary in Part 2 of this Appendix.
5. **C-4/96 : NIFPO –v– DANI**
Whether the Hague Preference is ultra vires the Common Fisheries Policy. Judgment 19 February. See summary in Part 2 of this Appendix.
6. **C-82/96 : R –v– Secretary of State for Trade and Industry ex parte the Consumers Association and Which(?)**
The High Court has referred questions concerning the interpretation of Council Directive 93/13 on unfair terms in consumer contracts in the light of the Unfair Terms in Consumer Contracts Regulations 1994. In particular the applicants challenge the implementation of Article 7(2) of the Directive which identifies the category of persons or organisations which can challenge unfair terms in consumer contracts.
7. **C-100/96 R –v– MAFF ex parte British Agrochemicals Associations Ltd**
UK reference on the implementation of provisions for the approval in the UK of parallel imports, from within and outside the EEA, of products identical to products already authorised as “master” plant protection products.
8. **C-157/96 : R –v– MAFF & HM C&E –v– ex parte NFU and Others**
This reference arises from the judicial review brought by the NFU in respect of UK measures implementing Commission Decision 96/239 which imposed the ban on export of British beef and beef products. The Divisional Court asks whether that Decision is valid. Heard with C-180/96: UK –v– Commission. Judgment 5 May. See summary in Part 2 of this Appendix.
9. **C-171/96 : Roque –v– Lieutenant Governor of Jersey**
A reference from the Royal Court of Jersey concerning the deportation of a Portuguese national.
10. **C-172/96 : HM C&E –v– First National Bank of Chicago**
The High Court has referred questions asking the ECJ to rule on whether foreign exchange transactions constitute the supply of goods and services and, if so, what is the nature of the consideration provided in that supply.
11. **C-249/96 : Grant –v– South West Trains**
Article 119 EC and Directive 75/117 concerning concessionary travel not being available for a partner of the same sex as the applicant. See summary in Part 2 of this Appendix.
12. **C-264/96 : ICI –v– Colmer**
Article 52 EC concerning a disputed claim for consortium relief under the Income and Corporation Taxes Act 1970.
13. **C-297/96 : Vera Partridge –v– Adjudication Officer**
Concerns the interpretation of Regulation 1408/71 and the exportability of certain types of disability benefits. Judgment 11 June.

14. C-308/96 : HM C&E –v– Madgett & Baldwin
Concerns the interpretation of the Sixth VAT Directive, in particular, the criteria to be applied in determining whether a person making supplies of travel and accommodation is to be regarded as a tour operator or travel agent. See also C-94/97 below.
15. C-326/96 : Mrs B S Levez –v– T H Jennings (Harlow Pools) Ltd
The issue in this case is whether the 2 years' arrears limit in the Equal Pay Act is compatible with Community law.
16. C-349/96 : Card Protection Plan –v– HM C&E
Article 13(B)(a) of the Sixth VAT Directive. Whether the provision of a service consisting of insuring against loss of credit cards and various ancillary services is subject to VAT.
17. C-368/96 : Medicines Control Agency ex parte Generics (UK) Ltd
Council Directive 65/65 on the granting of marketing authorisations for medicinal products. An abbreviated procedure applies where a licence is sought in relation to a product which is "essentially similar" to a product for which authorisation has already been granted. The High Court seeks guidance as to the interpretation of this phrase.
18. C-394/96 : Mary Brown –v– Rentokil (UK) Ltd
Concerns the Equal Treatment Directive and the lawfulness of dismissing a woman on the grounds of absence due to ill health arising from pregnancy. Judgment 30 June. See summary in Part 2 of this Appendix.
19. C-411/96 : M Boyle & Others –v– Equal Opportunities Commission
Concerns the compatibility with Article 119, the Equal Pay and Treatment Directives and the Pregnant Workers Directive with various conditions of employment concerning maternity, in particular conditions concerning accrual of annual leave, pensionable service and the inter-relationship between paid sick and paid maternity leave.
20. C-416/96 : Nour Eddine El Yassini –v– Secretary of State for the Home Department EC/Morocco Co-operation Agreement. The case turns upon whether the prohibition against discrimination regarding "working conditions" in Article 40 of the Agreement extends to security of employment and, consequently, confers a right of residence.
21. C-3/97 : R –v– HM C&E ex parte John Charles Goodwin and Edwin Thomas Unstead
Concerns whether the supply of counterfeit perfume products falls within the scope of the Sixth VAT Directive.
22. C-47/97 : The Vehicle Inspectorate –v– E Clarke & Sons (Coaches) Ltd and D J Ferne
Council Regulation 684/92 on driving hours, etc. Whether the Regulation applies to groups of passengers carried on a single journey between an airport and a hotel via, on occasions, a tourist attraction. Judgment 30 April. See summary in Part 2 of this Appendix.
23. C-48/97 : Kuwait Petroleum
Sixth VAT Directive. Whether redemption goods provided in exchange for vouchers obtained on the purchase of premium goods in a business promotion scheme are to be classified as free gifts incurring VAT for the promoter.
24. C-85/97 : SPRL Société Financière D'Investissements, S.F.I. –v– État Belge
Sixth VAT Directive. The principal issue in this case concerns the treatment of benefits in kind granted to employees.
25. C-90/97 : Robin Swaddling –v– Adjudication Officer
Concerns the compatibility with Article 48 of the EC Treaty of the UK condition of habitual residence in relation to entitlement to income support.

26. C-94/97 : T P Madgett and R M Baldwin trading as the Howden Court Hotel –v– HMC&E (No 2)

This is a follow up to case C-308/96 above and concerns the method by which a tour operator's 'margin' is to be calculated when there is a mixed supply of 'in-house' and 'bought-in' services.

27. C-120/97 : Upjohn Ltd –v– The Licensing Authority

Directive 65/65 on the granting of marketing authorisations for medicinal products. In this case the Applicant's licence for a particular product was revoked by the Licensing authority on the grounds of safety. The Applicant contends that by virtue of the Directive and Community law generally it is entitled to a full appeal on the facts to a court of law rather than the limited right of review provided for in the Medicines Act.

28. C-136/97 : Norbury Developments –v– HM C&E

Sixth VAT Directive. Whether the UK exemption in respect of building land is compatible with the Directive.

29. C-149/97 : The Institute of the Motor Industry –v– HMC&E

Sixth VAT Directive; whether a voluntary association of employees in the retail motor industry falls within the scope of the exemption in respect of organisations with the aim of a trade union nature.

30. C-167/97 : R –v– Secretary of State for Employment ex parte Nicole Seymour Smith & Another

Whether the qualifying period of 2 year's service for eligibility for certain employment protection rights is indirectly discriminatory on grounds of sex and, if so, whether it is objectively justified - appropriate tests to be applied in deciding these issues.

31. C-168/97 : R –v– Secretary of State for Defence ex parte Terence Perkins

Whether the Equal Treatment Directive (76/207/EEC) applies to discrimination on the grounds of sexual orientation and, if so, whether the policy of discharging homosexuals from the armed forces is justified by reference to Article 224 of the EC Treaty as being necessary to ensure the combat effectiveness of the armed forces.

32. C-185/97 : Mrs B J Coote –v– Granada Hospitality Ltd

Whether the protection afforded by the Equal Treatment Directive (76/207/EEC) includes protection against victimisation which occurs after the employment relationship has ended.

33. C-197/97 : Donna Marie Davies –v– Girobank

Article 119 EC Treaty; whether certain contractual provisions relating to pay and pension contributions during periods of maternity leave are compatible with the principle of equal treatment.

34. C-216/97 : Gregg and Gregg –v– HM C&E

Sixth VAT Directive. Whether a private nursing home falls within the scope of the exemption in relation to the provision of care, etc in hospitals.

35. C-263/97 : R –v– Intervention Board for Agriculture ex parte First City Trading Ltd & Another

The applicants contend that they were prevented from exporting beef from the UK as a result of the Commission ban on exports and that, in these circumstances, they are entitled to a refund in full of the export credits paid to them; and that the ordinary rule regarding force majeure, which involves the loss of a portion of the export credit, does not apply where the acts which constitute force majeure were adopted by a Community institution.

36. C-273/97 : Mrs A M Sirdar –v– The Army Board and the Secretary of State for Defence

Whether the exclusion of women from the Royal Marines on grounds of combat effectiveness is compatible with the EC Treaty and the Equal Treatment Directive.

37. C-293/97 : R –v– Secretary of State for the Environment and Ministry of Agriculture, Fisheries & Food ex parte H A Standley & Others

Council Directive 91/676/EEC on pollution caused by nitrates from agricultural sources. The applicants contend that the UK has incorrectly implemented the Directive or, alternatively, that the Directive is invalid.

38. C-305/97 : Royscot Leasing & Others –v– HM C&E

Second and Sixth VAT Directives. The applicants challenge the prohibition of deduction of VAT payable on motor cars in circumstances in which they can be regarded as tools of the trade and where any private use can be quantified.

39. *C-37/98: R –v– Secretary of State for the Home Department, ex parte Abdul Nasir Savas

Articles 13 and 41 of the Additional Protocol to the EEC/Turkey Agreement 1970 and whether these provisions confer benefits on Turkish workers who have entered or remained in a Member State in breach of domestic immigration rules.

40. *C-78/98: Preston and Others –v– Wolverhampton Healthcare NHS Trust and Others, and Fletcher and Others –v– Midland Bank plc

National procedural rules relating to claims concerning occupational pension rights.

41. *C-98/98: HMC&E –v– Midland Bank plc

Whether VAT incurred in respect of the supply of legal services to a taxable person is deductible wholly or only in part.

(iv) Cases referred to the European Court under Article 177 of the EC Treaty from other Member States' courts or tribunals in which Observations have been submitted by the United Kingdom.

1. C-120/95 : Decker –v– Caisse de Maladie des Employés Privés

Article 30 of the EC Treaty. Rules relating to the cost of reimbursement of medical accessories. Judgment 28 April.

2. C-132/95 : Bent Jensen –v– Landbrugsministeriet.

Set off of an amount due to the beneficiary of aid under a Community measure against outstanding debts to a member state. Judgment 19 May. See summary in Part 2 of this Appendix.

3. C-136/95 : CNAVTS –v– Thibault.

Directive 76/207 (equal treatment). Maternity leave and performance assessment. Judgment 30 April. See summary in Part 2 of this Appendix.

4. C-283/95 : Fischer –v– Finanzamt Danaveschingen.

Sixth VAT Directive. Unauthorised games of chance. Judgment 11 June.

5. C-320/95: Alvite –v– Instituto Nacional de Empleo et de la Seguridad Social

Spanish reference concerning Article 76(1) of Regulation 1408/71 and whether periods of employment and unemployment in other Member States must be taken into account for the purposes of the Spanish unemployment allowance for persons over 52.

6. C-364 & C-365/95 : T Port –v– Hauptzollamt Hamburg-Jonas
Bananas - Regulation 404/93. Whether the provisions of GATT take precedence over Community law in the Federal Republic of Germany.
7. C-50/96 : Schroeder –v– Deutsche Bundespost Telekom
Article 119 EC. Exclusion of certain part-time employees from an occupational pension scheme.
8. C-53/96 : Hermes –v– FHT
The interpretation of Article 50 TRIPS. UK's view is that the ECJ has no jurisdiction to determine the questions referred. Judgment 28 April. See summary in Part 2 of this Appendix.
9. C-66/96 : Pedersen –v– FBD
Pay during absence from work on grounds of illness, outside the maternity leave period.
10. C-85/96: Martinez Sala –v– Freistaat Bayern
German rules provides that a non-contributory child allowance was only due to German nationals or persons with a residence permit. The questions referred concern discrimination under Regulation 1408/71 and 1612/68, as well as Articles 6 and 8 of the EC Treaty. Judgment 12 May. See summary in Part 2 of this Appendix.
11. C-118/96 : Safir
Tax on insurance premiums. Judgment 28 April.
12. C-127/96 : Hernandez Vidal
Acquired Rights Directive.
13. C-136/96: Scotch Whisky Association
This French reference concerns the question of whether Article 5 of Regulation 1576/89 permits a blended drink which is less than 40% proof to have the word "whisky" in the description of the drink or on the label of the bottle.
14. C-158/96 : Kohll –v– UDC
The Luxembourgish plaintiff in the main proceedings challenges the refusal of his medical insurance company in Luxembourg to reimburse medical costs incurred in Germany. The Insurance company relies on the compatibility of its internal rules with Regulation 1408/71, but the plaintiff alleges that the decision was in breach of Article 59. Judgment 28 April.
15. C-163/96 : Criminal Proceedings against Silvano Raso
Concerns the interpretation of Articles 59, 86 and 90(1) of the EC Treaty in the context of Italian legislation on terminal operations in maritime ports. The UK submits that the grant of exclusive rights to an undertaking is not precluded unless the undertaking commits an abuse of a dominant position and the abuse is the inevitable result of that grant. Judgment 12 February.
16. C-173/96 : Sanchez Hidalgo
Acquired Rights Directive.
17. C-200/96 : Metronome Musik GmbH and Music Point Hokamp GmbH
The referring Court in this case asks whether the exclusive rental right provided for in Article 1(1) of Council Directive 92/100/EEC is compatible with Community fundamental rights. Judgment 28 April.

18. C-228/96 : *Fallimento Aprile Srl in Liquidazione and Amministrazione delle Finanze*
Concerns a claim for repayment of customs duties levied in contravention of Community law; the referring court asks whether a domestic law time limit of three years from the date of payment of the disputed charge is compatible with Community law, having regard to the fact the Civil Code provides for a longer limitation for similar classes of claims.

19. C-231/96 : *Societa Edis and Ministero delle Finanze*
This case raises issues similar to those in case C-228/96: *Fallimento Aprile*. In addition the national court, referring to case C-208/90: *Emmott*, asks whether national time limits begin to run before the national provision which is inconsistent with Community law is repealed.

20. C-260/96 : *Ministero delle Finanze and SPAC S.P.A.*
This case is essentially the same as Case C-228/96: *Fallimento Aprile* and Case C-231/96: *Societa Edis*.

21. C-262/96 : *Serul*
Decision 80/EEC/Turkey Association Council.

22. C-279/96 : *Ansaldo Energia*
See cases C228/96 and C231/96.

23. C-300/96 : *Erika Reimer*
Concerns the IACS system. Whether the rules relating to forfeiture of aid for innocent misdeclarations of eligible land are disproportionate. Judgment 12 May.

24. C-336/96 : *Gilly –v– Directeur des Services Fiscaux du Bas-Rhin*
In this case the applicant taxpayers contend that certain provisions of the double taxation agreement between France and Germany are contrary to Community law in that, as a frontier worker, Mme Gilly is liable to pay income tax on her salary in both countries. Judgment 12 May. See summary in Part 2 of this Appendix.

25. C-343/96 : *Dilexport S.r.l. –v– Amministrazione delle Finanze dello Stato*
This case raises issues similar to those in Case C-125/94: *Aprile* and concerns the application of national time limits to claims for reimbursement of sums levied in breach of Community law.

26. C-348/96 : *Criminal Proceedings against Donatella Calfa*
Concerns the compatibility with Community law of an order made by a criminal Court excluding a Community national from Greece .

27. C-355/96 : *Silhouette International Schmied Gesellschaft GmbH –v– Hartlauer Handelsgesellschaft GmbH*
Concerns the interpretation of the Trade Marks Directive (89/104) and the principle of international exhaustion of trade mark rights.

28. C-360/96 : *Gemeente Arnhem and Gemeente Rheden –v– BFI Holding BV*
Concerns the scope of the definition of “contracting authority” and of bodies governed by public law for the purposes of the public procurement Directives.

29. C-370/96 : *Covita A.V.E. –v– Elliniko Dimisio*
Concerns the procedures for post clearance of import duties. The issue is whether an error of law on the part of the Customs authorities precludes such recovery.

30. C-387/96 : *Anders Sjöberg –v– Åklagaren*
Council Regulation 3820/85 on driver’s hours, etc. The issue is whether the provisions of the Regulation apply to a private company which has contracted to provide public services. Judgment 19 March. See summary in Part 2 of this Appendix.

31. **C-399/96 : Europieces SA in liquidation –v– Winifred Sanders and Others**
Concerns the application of the Acquired Rights Directive to transfers made by an undertaking in voluntary liquidation.
32. **C-400/96 : Criminal Proceedings against Jean Harpegnies**
Concerns the compatibility with Article 30 of Belgian legislation which requires approval by the Belgian authorities of plant protection products marketed in another member state.
33. **C-414/96 : Mechthild Kehrl –v– Allgemeine Ortskrankenkasse Hamburg**
Directive 79/7 on equal treatment between men and women in the field of social security. This case is concerned with the German threshold (18 hours per week) for cover under the statutory unemployment insurance scheme. The applicant holds two part time jobs but is not permitted to aggregate her hours of work. She contends that this rule is indirectly discriminatory.
34. **C-10/97 : Ministero delle Finanze –v– IN.CO.GE.'90 Srl**
Another reference from the Italian courts concerning the application of national time limits to claims for reimbursement of sums levied in contravention of Community law.
35. **C-33/97 : Colim NV –v– Bigg's Continent Noord NV**
Concerns the rules on the labelling of foodstuffs and whether domestic legislation on this subject might constitute 'technical regulations' within the meaning of Directive 83/189.
36. **C-34/97 : RWE Energie AG and Stadt Nordhorn –v– Bundeskartellamt**
Concerns the application by the domestic competition authorities of EC competition rules to the electricity sector. The issues arising include whether national authorities are required to refrain from applying Article 85 when a common position has been reached concerning rules for the internal market in electricity and whether such authorities can apply Article 85 pending a decision by the Commission on negative clearance.
37. **C-39/97 : Canon Kabushiki Kaisha –v– Pathe Communications Corporation**
Raises questions about the interpretation of the Trade Marks Directive, in particular, the extent to which the reputation of an earlier mark is relevant in assessing whether there is a risk of confusion owing to the degree of similarity between that mark and one for which registration is sought.
38. **C-61/97 : Forenigen Af Dansk Videodistributører acting on behalf of Egmont Film A/S and Others –v– Laserdisken v/Hans Kristian Pedersen**
Directive 92/100 on rental rights and copyright. Concerns the distinction between the right of a copyright holder to distribute copies of a laser disc and the right to authorise the rental of the disc. In this case the copyright holder distributed copies of a laser disc in the UK and also authorised their rental. The disc was also distributed in Denmark but the copyright holder reserved to himself exclusive rental rights in that country. The defendant imported the disc from the UK and sought to rent it out commercially. The issue is whether the enforcement by the copyright holder of his exclusive rental right is contrary to Article 30 of the Treaty.
39. **C-63/97 : Bayerische Motorwerke AG and Another –v– Ronald Karel Deenik**
Concerns the Trade Marks Directive (89/104). At issue is the legitimacy of the use by a firm which specialises in the sale of second hand BMWs and the repair of BMWs of the BMW trade mark in advertising its services.
40. **C-74/97: Montana –v– Renfe**
Spanish reference on the application of the Acquired Rights Directive in circumstances where an undertaking decides to resume an activity which it had previously contracted out.
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41. C-77/97 : Österreichische Unilever GmbH –v– Smithkline Beecham Markenartikel GmbH
Concerns the Cosmetic Directive 76/768 - the national court asks whether member states are free to impose requirements which are more stringent than those set out in the Directive in relation to statements in advertising toothpaste which give a misleading view as to the product's efficacy in combatting tooth decay.
42. C-124/97 : Markku Laara & Others –v– District Prosecutor
The appellants were convicted of operating gaming machines without a licence; the referring court asks whether Finnish legislation regulating gaming machines is compatible with Articles 30, 59 and 60 of the EC Treaty.
43. C-125/97 : A G R Regeling –v– Bestuur van de Bedrijfsvereniging voor de Metaalnijverheid
Council Directive 80/987 on the protection of employees on the insolvency of their employer. Appropriate method of calculating the arrears of pay for which the guarantee institution is liable.
44. C-126/97 : Eco Swiss China Time Ltd –v– Benetton International NV
Whether arbitrators appointed by virtue of a private agreement between parties are under an obligation to apply Article 85 of the EC Treaty where the parties themselves have not raised this issue and national procedural rules prevent the arbitrators from raising the issue themselves.
45. C-140/97 : Walter Rechberger & Others –v– Republik Österreich
Whether Council Directive 90/314/EEC on package travel applies to holidays offered as prizes by a newspaper.
46. C-178/97 : Barry Bank & Others –v– Théâtre Royale de la Monnaie
Whether self-employed musicians holding the relevant certificate from the UK authorities are liable to pay Belgian security contributions.
47. C-202/97 : Fitzwilliam Executive Search Limited –v– Bestuur van het Landelijk Instituut Sociale Verzekeringen
Article 17 of Regulation 1408/71; posted workers.
48. C-212/97 : Centros Limited –v– Erhvervs-Og Selskabsstyrelsen
Challenge by a UK company with a share capital of £100 of a refusal by the Danish authorities to register its subsidiary on the grounds that the subsidiary had been acquired for the purpose of circumventing Danish law which requires a substantially higher share capital for the formation of a private limited company.
49. C-226/97 : Criminal Proceedings against Johannes Martinus Lemmens
Council Directive 183/89 on notification of technical standards and regulations, failure by authorities to notify regulations regarding breath analysis apparatus. Whether this affects the validity of a prosecution for driving under the influence of alcohol where the breath test was carried out by such apparatus. Judgment 16 June. See summary in Part 2 of this Appendix.
50. C-230/97 : Awoyimi Ibiyinka –v– Openbaar Ministerie
Reference from a Belgian court concerning a challenge by a third country national to the requirements contained in the driving licence Directives.
51. C-237/97 : Proceedings brought by AFS Intercultural Programmes Finland RY
Whether the Package Travel Directive applies to student exchange programmes.

52. C-249/97 : Gabriele Gruber
Concerns the compatibility of Austrian legislation relating to payment of compensation on termination of employment with Article 119 where payments made to employees who give up work to care for children are less than those paid in other circumstances where the employee terminates the employment relationship.
53. C-275/97 : DE and ES Bauunternehmung
Fourth Council Directive 78/660/EEC on company accounts; treatment of provision for liabilities arising under building warranties.
54. C-306/97 : Connemara Machine Turf Company –v– Collite Teoranta
Concerns the definition of a “contracting authority” for the purpose of Council Directives 77/62/EEC and 93/36/EEC on the award of public supply contracts.
55. *C-333/97 : Lewen –v– Denda
Whether a bonus primarily intended to relate to future work constitutes pay within Article 119 EC Treaty of a payment within the scope of the Pregnant Workers’ Directive.
56. *C-378/97 : Criminal proceedings against Wijsenbeek
This Dutch reference concerns border controls between the Netherlands and other Member States and Articles 7a and 8a of the EC Treaty.
57. C-379/97 : Upjohn SA Danmark –v– Paranova
Danish reference concerning trademarks and the parallel importation of rebranded pharmaceutical products.
58. *C-392/97 : Farmitalia Carlo Erba Srl
German reference concerning trademarks - scope of supplementary protection certificates for medicinal products. UK submitted written observations on 2 March 1998.
59. *C-424/97 : Haim –v– Kassenzahnaertzliche Vereinigung Nordrhein
Mutual recognition of diplomas: dentists. The case also raises procedural issues on the recovery of tortious damages.
60. *C-435/97 : World Wildlife Fund –v– Autonome Provinz Bozen
Environmental Impact Assessment Directive: restructuring of Bolzano Airport.
61. *C-3/98 : Openbaar Ministerie –v– Schacht
Application of Article 14a(1)(a) of Regulation 1408/71 which provides that a self employed person who performs work in another Member State shall continue to be subject to the legislation of the first Member State provided the work does not exceed 12 months.
62. *C-4/98 : Calvin Klein –v– Cowboyland
Danish reference concerning whether, in light of Article 7(1) of the Trade Marks Directive, Denmark is entitled to retain principle of international exhaustion.
63. *C-6/98 : Arbeitsgemeinschaft Deutscher Rundfunkanstalten –v– Pro Sieben Media AG
German reference concerning the Television Directive — principle to be applied in determining the permitted amount of advertising time.
64. *C-17/98 : Emesa Sugar (Free Zone) NV –v– Aruba
This Dutch reference concerns the import into the Community from Overseas Countries and Territories of sugar, a product which is subject to a common organisation of the market under the CAP including specific measures regulating prices, quantities, exports from, and imports to the Community.

65. *C-35/98 : Staatssecretaris van Financien –v– Verkooyen
Liability to income tax on dividends: exemptions up to a certain amount on dividends paid in respect of the shares in companies established in a Member State
66. *C-44/98 : BASF –v– President of the German Patent Office
German reference concerning whether the requirement of translation of patents is compatible with the principles of free movement of goods.
67. *C-48/98 : Firma Sohlke –v– Hauptzollamt Bremen
German reference concerning the Customs Code - Article 49 of Regulation 2913/92 and principle of legal certainty.
68. *C-65/98 : Eyup –v– Landesgeschaeftsstelle des Arbeitsmarktservice Vorarlberg
This Austrian reference concerns the interpretation of Article 7 of Decision 1/80 of the EEC/Turkey Association Council and the definition of a member of the Turkish workers' family. The questions referred also concern questions of interim relief.

(v) Actions in which the United Kingdom intervened in The Court of Justice under Article 37 of the Protocol on the Statute of the Court of Justice.

1. C-158/95 : Germany –v– Commission
Action under Article 173 for annulment of a Commission Decision relating to state aid to the German steel industry. Stayed pending outcome of Cases T-2/96, T-97/96 and T-129/96.
2. C-291/95 : Belgium –v– Commission
Article 173 action concerning State aids in the form of landing fees for Sabena at Brussels national airport. Withdrawn.
3. C-388/95 : Belgium –v– Spain
Belgium challenges Spain's alleged failure to implement the judgment in Case C-47/90: Delhaize, in breach of Article 34 EC Treaty. The Spanish laws in issue in Delhaize which regulate the production of wine were found to constitute a restriction on exports, have not only been maintained in force, but similar laws have been introduced in other regions of Spain. The UK has intervened in support of Belgium.
4. C-399/95 : Germany –v– Commission
Action under Article 173 for the annulment of a Commission Decision relating to state aid to the German steel industry. Stayed pending outcome of Cases T-2/96, T-97/96 and T-129/96.
5. C-404/95 : Germany –v– Commission
Action under Article 173 for annulment of a Commission Decision relating to state aid to the German steel industry. Stayed pending outcome of Cases T-2/96, T-97/96 and T-129/96.
6. C-43/96 : Commission –v– France
The Commission challenged France's implementation of the 6th VAT Directive, and the case concerns, in particular, the interpretation of Article 17(6). That provision requires the Council to decide, within 4 years of the date of entry into force of the Directive, what expenditure shall not be eligible for a deduction of VAT. The provision allows member states to maintain in force national regulations concerning the eligibility of expenditure for deduction of VAT in the meantime. The Commission argued that the exception to the principle of entitlement to deduct input tax cannot be interpreted autonomously so as to allow member states to maintain exclusions which are general and absolute in scope and which apply to all expenditure. The UK intervened on behalf of France. Judgment 18 June.

7. C-123/96 : Spain –v– Commission

Spain challenges Commission Regulation 92/2, which is based on Article 90(3) and amends Commission Regulation 90/388 with regard to the mobile and personal telecommunications sector. The UK has intervened in support of the Commission in defence of the Regulation. Withdrawn.

8. C-124/96 : Commission –v– Spain

The UK has intervened in support of Spain as we disagree with the Commission's interpretation of Article 13A of the Sixth VAT Directive.

9. C-170/96 : Commission –v– Council

These annulment proceedings relate to the Act of the Council of 4 March 1996 on joint action on airport transit arrangements which was adopted using the legal base of Article K3. The Commission contends that the matters governed by the Act fall within the competence of the Community and not within the third pillar. Judgment 12 May.

10. C-195/96 : Germany –v– Commission

Related to Case C-399/95. Stayed pending outcome of Cases T-2/96, T-97/96 and T-129/96.

11. C-199/96 : Spain –v– Commission

Spain challenges Commission Regulation 96/19, which is based on Article 90(3) and concerns the implementation of full competition in the telecommunications sector. The UK has intervened in support of the Commission in defence of the Regulation. Withdrawn.

12. C-285/96 : Commission –v– Italy

Directive 76/464 on pollution caused by certain dangerous substances discharged into the aquatic environment of the Community. The UK has intervened in support of Italy. Judgment by default.

13. C-301/96 : Germany –v– Commission

This case and Cases C-302/96, T-132/96 and T-143/96 concern the Commission's refusal to authorise the grant of state aid to Volkswagen plants in Mosel and Chemitz. The UK has applied to intervene in support of the Commission. Withdrawn.

14. C-302/96 : Commission –v– Germany

See Case C-301/96 above.

15. C-121/97 and C-122/97 : Commission –v– Germany

In these cases the Commission seeks a declaration that Germany is in breach of Article 171 of the EC Treaty by failing to take steps to implement 2 judgments of the Court. The UK has intervened in order to make representations regarding the method by which fines should be calculated. C-121/97 withdrawn.

16. *C-384/97 : Commission –v– Greece

This case concerns Directive 76/464 on pollution caused by certain dangerous substances discharged into the aquatic environment. The UK has intervened in support of Greece.

17. *C-429/97 : Commission –v– France

The UK has intervened in support of France in this case in which the Commission alleges that France has infringed Article 2 of the Eighth VAT Directive (79/1072) in refusing to refund VAT to a taxable person not established in France.

(vi) Actions in which the United Kingdom intervened in the Court of First Instance under Article 37 of the Protocol on the Statute of the Court of Justice

1. T-371/94 : B A –v– Commission
State Aids : Air France (joined with T-394/94). Judgment 25 June. See summary in Part 2 of this Appendix.
2. T-384/94 : UIC & NS –v– Commission
See T374/95.
3. T-388/94 : SNCF –v– Commission
See T374/95.
4. T-394/94 : British Midland Airways Ltd –v– Commission
State Aids : Air France. Judgment 25 June. See summary in Part 2 of this Appendix.
5. T-11/95 : BP –v– Commission
Article 93 of the EC Treaty - State aid to Italian chemicals industry - injection of capital - market investor principle.
6. T-110/95 : IECC –v– Commission
Articles 85 and 86 - Commission investigation of a complaint regarding arrangements between Post Offices in the Member States concerning remail services.
7. T-129/95 : Neue Maxhuetten Stahlwerke –v– Commission
German state aids. See also cases T-2/96 and T-97/96.
8. T-133/95 : IECC –v– Commission
See T-110/95.
9. T-174/95 : Swedish Journalists –v– Council
Disclosure of documents. Judgment 17 June.
10. T-204/95 : IECC –v– Commission
See T-10/95 and T-133/95.
11. T-234/95 : Hamburger Stahlwerke –v– Commission
An application to annul a Commission Decision on state aid granted to the German Steel industry.
12. T-374/95 : European Night Services Ltd –v– Commission
Articles 85 and 86 of the EC Treaty - Joint Venture by railway companies in respect of rail services via the Channel Tunnel - Commission granted limited exemption under Article 85 - challenge to conditions imposed. See also Case T-375/95.
13. T-375/95 : European Passenger Services Ltd –v– Commission
See Case T-374/95.
14. T-2/96 : Neue Maxhütte Stahlwerke –v– Commission
Linked to case T-234/95.

15. T-42/96 : Primex –v– Commission

The applicant importer challenge a Commission decision not to grant remission of Customs duties on the importation of certain consignments of Hilton beef into Germany when the Certificate of Authority as to the origin and quality of the goods was proved to be forged through no fault of the importer. The UK intervened in support of the importer. Judgment 19 February. See summary in Part 2 of this Appendix.

16. T-50/96 : Eyckler –v– Commission

See T-42/96. Judgment 19 February.

17. T-97/96 : Neue Maxhutte Stahlwerke GmbH –v– Commission

German State Aids. See also Cases T-129/95 and T-2/96.

18. T-125/96 : Boehringer Ingelheim Vetmedica GmbH and C H Boehringer Sohn Limited Partnership –v– Council

This is an action for damages in respect of loss caused by the adoption of a Council Directive prohibiting the marketing of certain products. The United Kingdom has intervened in support of the Applicants in order to take issue with the Council's submission that any such proceedings should be directed at Member States whose implementation of the Directive will be the proximate cause of Applicant's loss.

19. T-132/96 : Freistaat Sachsen –v– Commission

See Case C-301/96 above.

20. T-143/96 : Volkswagen AG & Volkswagen Sachsen –v– Commission

See Case C-301/96 above.

21. T-46/97 : Sociedade Independente de Comunicação SA –v– Commission

Whether the concession granted by the Portuguese government to RTP, the concession holder for public service television, constitutes state aid. The UK has intervened in support of the Commission.

22. *T-238/97 : Comunidad Autonoma de Cantabria –v– Council

Challenge to a Council Regulation on aid to certain Spanish shipyards. The UK intervened in support of the Council. The Court declared the action inadmissible. Judgment 16 June.

23. *T-216-218/97 : Lema SA –v– Commission

Three French actions against Commission's refusal to remit duties incurred after importation of "duty free" Turkish TVs. Linked to T-186/97 etc below.

24. *T-220/97 : H & R Ecroyd Holdings Ltd –v– Commission

Action to annul alleged refusal of Commission to give effect to judgment in C-127/94 ex parte H & R Ecroyd. UK has applied to intervene in support of Commission's contention that Applicants are not entitled to SLOM III quota because they were not producers at the material time.

25. *T-256/97 : European Office of Consumer Unions –v– Commission

Action for annulment of Commission decision not to recognise BEUC as an interested party in an anti-dumping proceeding concerning a product not commonly sold at retail level.

26. *T-186/97, 187/97, 190/97, 191/97, 192/97, 210/97, 211/97, 279/97 and 280/97 : Kaufring AG and others, DFDS and Wilson Holland –v– Commission

Linked to T-216/97 etc above. Seven German and two Dutch actions against Commission refusals to remit duties incurred on importation of Turkish TVs.

27. *T-293/97 : ELTA GMBH –v– Commission

Another German "Turkish TV" challenge. See cases T-186/97 etc and T-216/97 etc.

28. *T-309/97 : Bavarian Lager Co Ltd –v– Commission
Action concerning refusal by the Commission to provide a reasoned opinion. The UK has intervened in support of the Commission.

29. *T-8/98 : Siderca SAIC –v– Commission
The UK has intervened in support of the Applicant to challenge the Commission's extraterritorial exercise of jurisdiction in an Article 85 investigation. The Applicant company is Argentine and does not do business in the Community.

(vii) Cases referred to the European Court under the Judgments Convention

1. C-391/95 - Van Uden Maritime

Brussels Convention - scope for the Arbitration Exception and whether this extends to proceedings for interim or protective relief.

2. C-150/97 : Società Transporti Spedizioni Internazionali SPA –v– Hugo Trumpy SPA

Article 17 of the Brussels Convention; whether a shipper's signature on a bill of lading is sufficient to constitute an agreement conferring exclusive jurisdiction on the courts of a Contracting Party.

3. *C-420/97 : Leatherex –v– Bodetex

Belgian reference concerning jurisdictions over obligations of equal rank under the Convention.

4. *C-440/97 : GIE Groupe Concorde –v– Capitaine Commandant "Suhadiwarno Panja"

Italian reference concerning Article 5(1) of the Convention regarding place of performance.

5. *C-8/98 : Dansommer A/S –v– Goetz

Whether Article 16(1)(a) of the Convention applies to an agreement between a tour operator and a private individual concerning a short term letting whether the tour operator is not the owner of the property let.

(viii) Requests for an Advisory Opinion of the European Court of Justice under Article 228(1) of the EEC Treaty.

1. *E-5/98 : European Navigation Inc –v– Star Forsikring AS (U.O.A.)

A Norwegian Court requested an Advisory Opinion on the compatibility with the EEA Agreement of rules concerning security for costs orders and favouring Norwegian nationals. Withdrawn.

2. *E-9/97 : Erla Maria Sveinbjornsdottir –v– Iceland

Request for an Advisory Opinion on the Insolvency Directive 80/987. UK has submitted observations to the effect that Member States should have the option to exclude employees under Article 10 of the Directive even where such employees do not appear in the Annex.

(ix) Actions against United Kingdom under Article 170.

None.

(x) Appeals from the CFI to the ECJ

1. C-73/97P : Comafrika SPA and Dole Fresh Fruit Europe Ltd & Co. –v– Commission
The UK has intervened in support of France to argue that the appeal is admissible and that the CFI was wrong in Case T-70/94 to dismiss the objection of inadmissibility raised by the Commission.

2. *C-163/98P : Eyckeler –v– Commission
Appeal by Commission against judgment of CFI given on 19 February 1998. The UK has intervened in support of Eyckeler. See Case T-50/96.

Appendix B, Part 2: Summaries of Important Judgments

CFI Joined Cases T371/94 and T394/94: British Airways plc and Others –v– Commission of the European Communities and British Midland Airways Ltd –v– Commission of the European Communities (Judgment 25 June)

1. In these joined cases the Court of First Instance was asked to consider the application of the State aid rules in respect of capital injections in public undertakings in the aviation sector. The applicant airlines were seeking the annulment of the Commission's Decision of 27 July 1994 authorising the French Government to inject FF 20 billion into the capital of Air France, aimed at its restructuring.

2. The Commission's Decision found that the capital injection constituted State aid, but that it met the criteria of the derogation in Article 92(3)(c) of the EC Treaty for "aid to facilitate the development of certain economic activities ... where such aid does not adversely affect trading conditions to an extent contrary to the common interest". The applicants contested this Decision on both procedural and substantive grounds. On the substance, they argued that the Commission had committed errors in the application of Article 92(3)(c) of the Treaty. They contended that the Commission had infringed the principle of proportionality, in particular by wrongly authorising Air France to purchase 17 new aircraft; that it had wrongly concluded that the aid was intended to promote the development of an economic activity and would not affect trading conditions, particularly on non-EEA routes, to an extent contrary to the common interest; and that Air France's restructuring plan was inadequate to restore the economic viability of Air France. The applicants also argued that the Commission had failed to provide adequate reasoning for its conclusions.

3. The CFI annulled the Commission's Decision on the ground of insufficient reasoning on two points which the Court considered to be of crucial importance: the purchase of 17 new aircraft and the competitive position of Air France on the network of its non-EEA routes. However, in all other respects, the Court rejected the applicants' arguments.

4. The CFI judgment is important in that it confirms the broad discretion which the Commission enjoys in the application of Article 92(3) of the Treaty and the exceptional nature of the cases in which the Court may set aside a Commission decision authorising State aid.

ECJ Case C-122/95: Germany –v– Council: ECJ Joined Cases C-364/95 and C-365/95: T.Port GmbH & Co. –v– Hauptzollamt Hamburg-Jonas (Judgments 10 March)

1. The EC banana regime provides for an annual tariff quota for imports of bananas other than traditional quantities from African, Caribbean and Pacific - "ACP" - countries. Traders who marketed these bananas before 1993 are "Category A operators"; "Category B operators" marketed Community or traditional ACP bananas.

2. In 1994 the Community reached a Banana Framework Agreement with Colombia, Costa Rica, Nicaragua and Venezuela which allocated each country a share of the tariff quota.

Export certificates were required for imports from these countries by Category A operators. The Council approved the agreement in Decision 94/800/EC and the Commission implemented it by Regulation 478/95.

3. In these Cases, Germany challenged the Decision, and a German banana importer the Regulation, arguing that they impaired the fundamental rights of Category A operators, discriminated against them, defeated their legitimate expectations and were disproportionate.

4. The Court noted that Category B operators were exempt from producing export certificates for imports from these four countries. As no objective justification for this had been offered, the Court concluded that it constituted illegal discrimination against Category A operators. It dismissed the other arguments, following the rationale of its judgment in Case C-280/93, *Germany v Council*, in which it had dismissed Germany's challenge to the banana regime.

5. The Cases demonstrate that, when Community legislation provides for different treatment of economic operators, the Community legislator must provide the Court with satisfactory objective justification for this.

ECJ Case C-127/95: Norbrook Laboratories Ltd –v– Ministry of Agriculture, Fisheries and Food (Judgment 2 April)

1. This case concerned the information which a competent authority can demand before issuing a marketing authorisation under the Council Directives (81/851/EEC and 81/852/EEC) on marketing authorisations for veterinary medicinal products.

2. Norbrook produce a product known as "Pen and Strep", which contains the active ingredient dihydrostreptomycin sulphate ("DHS"). DHS is manufactured from streptomycin sulphate ("SS"). Norbrook applied to the Veterinary Medicines Directorate ("VMD") for a product licence for Pen and Strep and it emerged that they would be producing their own DHS from SS purchased elsewhere. VMD asked Norbrook for the names and site locations of the supplier of the SS, and details of their manufacturing and controlling processes. Norbrook challenged this request, arguing that it breached the two directives. Competent authorities were only entitled to request the information specified in them and VMD's request exceeded this.

3. The ECJ held that the directives regulate exhaustively the conditions for granting marketing authorisations for veterinary medicines, thus prohibiting member states from imposing requirements not contained in them. VMD was only entitled to require the name and address of a manufacturer of SS if this was the only way to obtain information required under the directives. Whether VMD could require details of manufacturing and control processes depended essentially on whether this information was needed to verify the purity of the SS. The Court also held an applicant cannot be exempted from the requirements of the directives because it is impossible for him to obtain the necessary information.

ECJ Case C-132/95: Bent Jensen and another –v– Landbrugsministeriet (Judgment 19 May)

1. In this case, the Court considered whether a member state may set off aid payments due to a farmer under Community legislation against debts owed by him to that member state. The plaintiffs disputed the right of the Danish Ministry of Agriculture to set off arable area payments due to them under Council Regulation 1765/92 against VAT and other debts due to the Danish State.

2. The Court concluded that Community law does not preclude a member state setting off Community aid payments against national debts, unless this interferes with the proper functioning of the common organisation of agriculture markets, and provided that economic operators enjoy equal treatment. It is for each member state to define the conditions under which its national authorities may apply set-off. Furthermore, Article 15(3) of Regulation 1765/92 (aid payments to be paid over to the beneficiaries "in their entirety") does not preclude set-off in the case of arable area payments. Finally, a member state may defer making arable area payments while it checks whether there is any claim against the beneficiary for which set-off may be available, provided payment is made by the deadline of 31 December laid down by Article 10(1) of the regulation.

3. The case establishes that set-off of Community payments against national debts will generally be available to national authorities and that the rules governing set-off are essentially a matter for the member state concerned.

ECJ Case C-136/95: Caisse Nationale D'Assurance Vieillesse des Travailleurs Salaries –v– Evelyne Thibault (Judgment 30 April)

1. Mrs Thibault was a skilled clerical worker in France. Under the collective national labour agreement for the staff of social security institutions, after 2 years in employment employees were granted a yearly supplement of 2 per cent of their salary. After 3 years, this percentage could increase on the basis of an assessment of work and conduct. However, such an assessment need only take place if an employee had been present at work for at least 6 months of the year. Mrs Thibault was absent through sickness and then on maternity leave. She did not meet the 6 months requirement and was refused an assessment.

2. The Cour de Cassation referred the question of whether the Equal Treatment Directive must be interpreted as meaning that a woman may not be deprived of the right to an assessment of performance and consequently to the possibility of an advancement in career, on the ground that she was absent from work by reason of maternity leave.

3. The ECJ reiterated the fact that the Directive was intended to ensure the implementation of the principle of equal treatment for men and women regarding both access to employment and working conditions. The right to have performance assessed each year and, consequently, to qualify for promotion, formed an integral part of the conditions of an employee's contract of employment. The court held that a woman who is accorded unfavourable treatment regarding her working conditions, in that she is deprived of the right to an annual report and therefore of an opportunity to qualify for promotion as a result of absence on account of maternity leave, was discriminated against on grounds of her pregnancy and maternity leave. The Equal Treatment Directive precluded national rules which had this effect.

4. This case could be seen as, once again, the ECJ emphasising that pregnancy and maternity rights are meant to ensure "substantive" not formal equality. The ECJ acknowledged that member states have a discretion both as to the social measures they adopt in order to guarantee protection of women in connection with pregnancy and maternity within the framework of the Directive and as to the nature of the protection measures and the arrangements for their implementation. But this discretion had to be exercised within the bounds of the Directive and could not serve as a basis for unfavourable treatment of a woman regarding her working conditions.

ECJ Case C-243/95: Hill and Stapleton –v– Revenue Commissioners and Department of Finance

1. Ms Hill and Ms Stapleton were employed as clerical assistants in the Irish Civil Service. Each worked as a jobsharer and moved to full-time employment. However, their position on the incremental pay scale was then adjusted on the basis that each year's jobsharing service amounted to 6 months' full-time service by reference to the actual time each employee had worked. The applicants claimed that this amounted to indirect sex discrimination contrary to Article 119 and the Equal Pay Directive. The ECJ was asked to consider whether, in circumstances in which far more females than males undertake jobsharing, treatment such as this amounted to indirect discrimination.

2. Article 119 of the EC Treaty sets out the principle that men and women should receive equal pay for equal work. The Equal Pay Directive applies this principle - Article 1 states that equal pay means "for the same work or for work to which equal value is attributed, the elimination of all discrimination on grounds of sex with regard to all aspects and conditions of remuneration".

3. The ECJ found that the system for classifying workers converting from jobsharing to full-time employment came within the concept of "pay" for the purposes of Article 119 of the Treaty.

4. Under the rules of the Irish Civil Service the incremental pay progression for both jobsharers and full-time workers depended on an assessment of both the quality and quantity of work produced. Ms Hill and Ms Stapleton both progressed by one incremental point each year and were paid at the rate of 50 per cent of the salary for their post. The ECJ stated that, in such circumstances, on conversion to full-time, a worker should expect a doubling of pay in tandem with the doubling of hours; jobsharing was in a unique category in that it did not involve a break in service and a jobsharer could acquire the same experience as a full-time worker.

5. The ECJ determined that Article 119 and the Directive were to be interpreted as precluding legislation which had the effect of placing jobsharers who switch to full-time employment at a lower point on the pay scale by relating that point to the actual length of time worked in a post, unless such legislation could be justified by objective criteria unrelated to any discrimination on the grounds of sex.

6. The onus was on the respondents to establish this justification - the avoidance of increased costs, the fact that there was an established practice within the Civil Service of crediting actual service and the argument that the practice maintained staff motivation did not amount to such justifications.

ECJ Case C-296/95: The Queen and Commissioners of Customs and Excise, ex parte EMU Tabac SARL, The Man in Black Limited and John Cunningham. Intervener: Imperial Tobacco Ltd. (Judgment 2 April)

1. The reference, from the Court of Appeal, concerned the interpretation of Directive 92/12/EEC which relates to the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products.

2. The main issue was whether a Luxembourg company (EMU Tabac) could sell to residents of the UK, tobacco products which had borne Luxembourg duty, through the agency of a UK company (the Man in Black) without having to pay the UK's excise duty on the goods.

3. The Court decided that excise goods sold in such circumstances were liable to duty in the UK.

4. The significance of the case lies in the fact that if the Court had held that such goods were not liable to the United Kingdom's duty, very large amounts of UK revenues would be avoided.

ECJ Case C-1/96: R –v– Ministry of Agriculture, Fisheries and Food, ex parte Compassion in World Farming (Judgment 19 March)

1. This case concerns the "Veal Crate" system of raising calves, which animal welfare organisations consider cruelly restricts their accommodation and diet. The system is inconsistent with a Council of Europe Convention on farm animal welfare, which the Community has approved, and is illegal in the UK; but it is still permitted by the Council Directive on the welfare of calves (91/629/EEC) and other member states allow it.

2. Animal welfare organisations instituted proceedings to establish that the UK could ban the export of calves destined for veal crates in other member states, relying on Article 36 of the EC Treaty. They also argued that the directive was invalid because it was inconsistent with the Convention.

3. The Court held that the directive was valid. Although the Convention was an integral part of Community law, its wording was indicative only and did not impose legally binding obligations on the Community.

4. Nor could the UK rely on Article 36. Calves were subject to a common organisation of the market and an export ban would interfere with its proper functioning. Furthermore, recourse to Article 36 is excluded when the relevant matter is harmonised at Community level, and Directive 91/629/EEC exhaustively harmonised minimum standards for the welfare of calves. Although it allowed member states to require higher standards in their own territories, this did not permit them to ban exports on account of conditions in other member states.

5. The case confirms that obstacles to the free movement of goods must be consistent with the common agricultural policy as well as with Article 36 of the EC Treaty, and establishes that member states cannot justify export bans by reference to circumstances outside their territories.

ECJ Case C-4/96: Northern Ireland Fish Producers' Organisation and another –v– Department of Agriculture for Northern Ireland (DANI) (Judgment 19 February)

1. The Hague Preference mechanism, which takes account of the needs of fisheries-dependent regions of Ireland and the northern parts of the UK, increases Ireland's fishing quotas more than the UK's. As a result, the share of certain quotas allocated to fishermen in Northern Ireland is reduced. In this case the Northern Ireland Fish Producers' Organisation ("NIFPO") challenged the decision by which DANI allocated it a share of the 1995 quotas of Irish Sea cod and whiting which had been fixed by Council Regulation 3362/94, and questioned the validity of the Hague Preference.

2. NIFPO argued that the Hague Preference was legally flawed because the Council document which set out the mechanism (Annex VII to the 1976 Hague Resolution) was never formally adopted and published, and because it conflicted with the principles of the common

fisheries policy and was disproportionate and discriminatory in its application to Northern Ireland.

3. The ECJ concluded that the validity of the allocation of Irish Sea cod and whiting quotas for 1995 was not dependent on whether Annex VII to the Hague Resolution was properly adopted. Furthermore, Council Regulation 3362/94 was valid and did not offend the principles of proportionality or non-discrimination. The Hague Preference mechanism was an integral part of the Common Fisheries Policy which the Council can continue to apply as required.

ECJ Case T-42/96: Eyckeler & Malt AG –v– Commission (Judgment 19 February)

1. Each year the Community opens an annual tariff quota, free of import levies, for beef and veal from (inter alia) Argentina. Importers must produce a certificate of authenticity issued by the competent body in the exporting country. In 1991 and 1992, the plaintiff imported beef from Argentina within the quota. It emerged that, unknown to the plaintiff, many of its certificates of authenticity had been falsified. The Commission refused to invoke Article 13 of Regulation 1430/79, under which import duties may be remitted in special situations where there has been no deception or obvious negligence. The plaintiff brought this case to challenge the refusal.

2. The Court annulled the Commission's refusal on two grounds. Drawing an analogy with its case-law on competition, it found that the Commission had breached the plaintiff's rights of defence by not allowing it to put its case on the circumstances the Commission relied on in making the contested decision. The Court also found that the Commission had not applied Article 13. It had not assessed the impact of its own conduct. The Commission was obliged to monitor the tariff quota effectively and its failure to do so had allowed the falsifications in 1991 and 1992. Although Community law does not usually protect traders whose documentation is found to be forged, regarding this as a commercial risk, the Commission's contributory default had been such that the falsifications exceeded the normal commercial risk which a trader must bear.

3. The case is a useful example of the circumstances in which the EC Treaty places a duty of good administration on the Commission.

ECJ Case C-43/96: Commission of the European Communities –v– French Republic (Judgment 19 June)

1. The Commission of the European Communities brought an action under Article 169 of the EC Treaty for a declaration that, by maintaining in force legislation which denies taxable persons the right to deduct value added tax on means of transport which constitute the very tools of their trade, the French Republic had failed to fulfil its obligations under the Sixth Council Directive 77/388/EEC on the common system of value added tax, in particular, Article 17(2) thereof.

2. The Court was asked to rule whether Article 17(6) of the Directive expressly permits member states to maintain national provisions which pre-date the entry into force of the Directive. Article 17(6) provides for the exclusion from the right to deduct VAT expenditure on goods and services which are not strictly business expenditure, until the Council, acting unanimously on a proposal from the Commission, has decided what expenditure shall not be eligible for deduction. The UK intervened in support of the French Republic that Article 17(6) allowed for the exclusion from the right to deduct input tax, even on expenditure on essential tools of the trade.

3. The Court held that the expression “all the exclusions” used in the second subparagraph of Article 17(6) clearly comprises expenditure which is strictly business expenditure, and that Article 17(6) authorises member states to retain national rules which deny taxable persons the right to deduct VAT on means of transport which constitute the very tools of their trade. The French Republic had therefore not failed to fulfil its obligations under the Directive, and in particular Article 17(2) thereof.

4. The case is important in that the Court recognised that certain expenditure, even though incurred in the ordinary course of a taxable person’s business, would be difficult to apportion between business use and private use, in particular where that expenditure is incurred on passenger transport.

ECJ Case C-53/96: *Hermès –v– FHT* (Judgment 28 April)

1. This case concerned the interpretation of Article 50(6) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), as set out in Annex 1C to the Agreement establishing the World Trade Organisation. The judgement of the ECJ dealt with both the question of law referred by the national court and with the jurisdiction of the ECJ to answer the question. The reference arose in the context of proceedings relating to alleged infringements of copyright and trade mark rights belonging to the applicant. In the course of the proceedings certain goods in the possession of the defendant were seized by the applicant with the leave of the court. A question arose concerning the time limits for the parties to initiate certain proceedings. The Amsterdam District Court referred the following question to the ECJ for a preliminary ruling:

“Does an interim measure, as, for example, provided for in article 289 et seq. of the Code of Civil Procedure, whereby an immediate, enforceable measure may be sought, fall within the scope of the expression “provisional measures” within the meaning of Article 50 of TRIPS”.

2. Article 50(6) of TRIPS provides that provisional measures shall on request by the defendant be revoked or otherwise cease to have effect if proceedings leading to a decision on the merits of the case are not initiated in a reasonable period.

3. In their written observations the UK, France and the Netherlands submitted that the ECJ had no jurisdiction to answer the referred question as Article 50 TRIPS fell outside the scope of Community law and is intended to bind only member states.

4. However, the ECJ stated that the Community was a party to TRIPS and that that agreement applies to the Community trade mark. Article 99(1) of Council Regulation EC 40/94 provides that national courts, when called upon to do so, are required to apply national rules with a view to ordering provisional measures for the protection of rights arising under a Community trade mark as far as possible in the light of the wording and purpose of Article 50 of TRIPS. The ECJ considered that it follows that it has jurisdiction to interpret article 50 of TRIPS. The ECJ went on to deal more generally with its jurisdiction under Article 177 and stated:

“31... it is solely for the national court hearing the dispute, which must assume responsibility for the order to be made, to assess the need for a preliminary ruling so as to enable it to give its judgement. Consequently, where the question referred to it concerns a provision which it has jurisdiction to interpret, the Court of Justice is, in principle, bound to give a ruling...”

32... where a provision can apply both to situations falling within the scope of national law and to situations falling within the scope of Community law, it is clearly in the Community interest that, in order to forestall future differences of interpretation, that provision should be interpreted uniformly, whatever the circumstances in which it is to apply...”

5. As to the referred question the Court ruled that a measure whose purpose is to put an end to an alleged infringement of a trade mark right and which is adopted in the course of a procedure distinguished by certain features identified by the Court was to be regarded as a provisional measure within the meaning of Article 50 of TRIPS.

ECJ Case C-85/96: Martínez Sala (Judgment 12 May)

1. The applicant in this case was a Spanish national resident in Germany. She was refused a German child care allowance on the sole ground that she did not have a residence permit.

2. The Court held that she could not be refused the allowance solely on this ground. Since she was an EU citizen lawfully resident in Germany, it was contrary to Articles 6 and 8(2) of the Treaty that she should have to comply with a condition to which German nationals were not subject in any matter falling within the material scope of Community law. This included conditions of entitlement to the child care allowance, which (as the Court confirmed) was within the material scope of Regulations 1612/68 and 1408/71.

3. In addition, if she was a worker or an employed person within the personal scope of either Regulation (which was a question for the national court to decide), the imposition of such an additional condition would also be contrary to Articles 48 and 51 of the Treaty.

4. This judgment means that nationals of other member states lawfully resident in the UK cannot be discriminated against on the grounds of their nationality in matters subject to Community law.

5. The Court did not think it necessary to examine the Commission's suggestion, which the UK opposed, that Article 8a of the Treaty confers on all EU citizens a right to reside in any Member State. Nor did the Court consider what constitutes lawful residence.

ECJ Case C-106/96: UK –v– Commission (Judgment 12 May)

1. On 23 January 1996, the Commission announced details of 86 projects around the EU aimed at alleviating social exclusion to be funded on a one-year, one-off basis, at a total cost of 6 million ecu (£3.94 million). Proposals for an earlier programme (Poverty 4) had been rejected by the UK and Germany on value for money and subsidiarity grounds. The UK lodged a challenge before the ECJ in April 1996 on the ground that the Commission cannot incur such expenditure without lawful authority.

2. The Court found that the Commission's decision to fund these projects was unlawful and annulled it, but allowed the projects to keep any funding already received. It clarified the limited circumstances in which the Commission can incur expenditure without the explicit authority of the Council of Ministers. Specifically, it confirms that a legal base is needed for all significant Community action, and that action cannot automatically be regarded as insignificant just because it only involves a small budget. This will help to ensure better accountability and transparency in the way the EU spends tax payers' money.

ECJ Cases C-157/96: R –v– Ministry of Agriculture, Fisheries and Food and Commissioners of Customs and Excise, ex parte National Farmers Union, and C-180/96: United Kingdom v Commission (Judgment 5 May)

1. These cases concerned the validity of Commission Decision 96/239/EC which banned the export of bovine animals, meat and products from the UK to other member states and

third countries. The decision was adopted as an emergency measure to stop the spread of bovine spongiform encephalopathy ("BSE"), following the announcement in the UK of a probable link between BSE and Creutzfeldt-Jakob disease.

2. The ECJ upheld the validity of the export ban. The Commission had acted within the powers conferred by the enabling Council Directives on veterinary checks (90/452 and 89/662), given that the announcement had significantly increased the perceived risk from BSE to human health. These powers extended to banning all movements of animals and products outside the member state concerned, including to third countries. Nor had the Commission misused its powers; it was clear from the recitals to the decision, taken together, that its true objective was to protect public health.

3. The decision was not disproportionate. A common agricultural policy measure lacks proportionality only if it is manifestly inappropriate, having regard to the objective pursued. Given scientific uncertainties about the transmission of BSE, the seriousness of the risks and the urgency of the situation, a general export ban, imposed temporarily pending more detailed scientific investigation, was not manifestly inappropriate. Where the existence and extent of risks to human health is uncertain, the Commission can take measures before the reality and gravity of the risks become fully apparent.

4. The case illustrates the pre-eminent importance the Court accords to public health and the extent of the Community legislator's powers when adopting emergency measures.

ECJ Case C-170/96: Commission –v– Council (Judgment 12 May)

1. In this case the Commission sought annulment of a joint action of 4 March 1996 on Airport Transit Arrangements, adopted by the Council on the basis of Article K.3 of the Treaty of European Union (TEU). The Commission argued that the subject matter of the joint action, air transit visas, fell within the subject matter of Article 100c of the European Community Treaty (TEC) and accordingly it could not be adopted under Article K.3 of the TEU.

2. The UK intervened in the proceedings on behalf of the Council to argue that:

- the ECJ did not have jurisdiction in respect of measures adopted under Article K.3 of the TEU, as a result of Article L of that Treaty (save in the case of Conventions to the extent they provide for such jurisdictions);
- As to the substance, Article 100c TEC only brought within Community competence two matters, namely determining the third-countries whose nationals must be in possession of a visa when crossing the external borders of the member states; and measures relating to a uniform format for visas.

3. First, the ECJ concluded that it did have jurisdiction to review the content of the contested measure in order to ascertain whether it affected the powers of the Community under Article 100c of the TEC; and to annul it if it appeared that it ought to have been based upon that Article. The Court stated that its task was to ensure that acts which fall within the scope of Article K.3(2) of the TEU do not encroach upon the powers conferred by the TEC on the Community.

4. As to the substance, the ECJ found for the Council and held that:

- Article 100c applies only to visas which permit their holders to cross the external borders of a member state at border control points in order to stay or travel in the internal market during the period of their validity;

- crossing the external borders of a members state refers to the crossing of those borders at a border control point; and
- an airport transit visa does not authorise its holders to cross the external borders of a member state in this sense.

5. The case is important as determining that the ECJ has jurisdiction under Article L of the TEU to review the content of an act adopted under Title VI of that Treaty in order to ascertain whether the act encroaches upon the Community's powers; and to annul such an act if it considers that it should have been adopted on the base of a provision in the TEC.

ECJ Case C249/96: Grant –v– South West Trains

1. Ms Grant was employed by South West Trains Ltd (SWT). Under her contract of employment a spouse or dependant was entitled to travel concessions. Regulations made by SWT stated that privilege tickets were granted to a married member of staff for his or her spouse and to "one common law opposite sex spouse" subject to a statutory declaration being made that a meaningful relationship had existed for a period of 2 years or more.

2. Ms Grant applied for travel concessions for a female partner, with whom she declared she had had a meaningful relationship for over 2 years. SWT refused the benefit on the basis that her partner was not of the opposite sex. Ms Grant applied to the Industrial Tribunal on the grounds that the refusal constituted discrimination based on sex contrary to the Equal Pay Act 1970 and Article 119 of the Treaty.

3. The ECJ stated that the refusal to allow Ms Grant the concessions was based on the fact that she did not satisfy the conditions in the SWT regulations. Those conditions were applied regardless of the sex of the worker and could not, therefore, be regarded as constituting discrimination directly based on sex. The ECJ observed that as the law stood in the Community, stable relationships between 2 persons of the same sex were not regarded as equivalent to marriages or stable relationships outside marriage between persons of opposite sex. Consequently, an employer was not required by Community law to treat such relationships as equivalent. The Court also considered Ms Grant's submission that differences of treatment based on sexual orientation are included in the prohibition of discrimination based on sex by Article 119. The Court considered the effect of various international conventions but declined to extend the scope of Article 119 and stated that Community law did not cover discrimination based on sexual orientation.

4. The ECJ declined to follow the Advocate General's Opinion in this case and concluded that Community law cannot require an employer to treat same sex couples as equivalent to either married couples or unmarried opposite sex couples. The AG was of the opinion that whereas marriage fell outside Community competence because it was a family law concept, "common law" couples did not. The ECJ did not accept the AG's arguments in relation to the case of *P v S and Cornwall County Council* [1996] ECR I - 2143. (A case involving a claim of discrimination by a transsexual). It distinguished this case from *Grant*, finding that *P v S* is limited to the case of a worker's gender re-assignment and does not extend to differences of treatment based on sexual orientation which is not discrimination on the ground of sex. The Court stated that, although respect for fundamental rights form an integral part of the general principles of Community law, those rights cannot in themselves have the effect of extending the scope of the Treaty provisions beyond the competences of the Community. One of the effects of the decision in *Grant* is the withdrawal of the ECJ reference in the case of *R v Secretary of State for Defence Ex Parte Perkins*. Case C- 168-97, (relating to the discharge of homosexuals from the Armed Forces). Following the decision of the Divisional Court to seek withdrawal of the reference, the Applicant withdrew the judicial review proceedings against the Ministry of Defence.

ECJ Case C-336/96: Gilly –v– Directeur Des Services Fiscaux du Bas-Rhin (Judgment 12 May)

1. In this case the ECJ was asked to consider whether a double taxation agreement which allocated taxing rights over income from employment in the public sector to one member state on grounds of nationality was a discriminatory restriction on the right of free movement under Community law.
2. The case concerned a married couple resident in France. Mr Gilly worked in France. Mrs Gilly, was employed as a teacher in Germany. Mrs Gilly's dual German/ French nationality meant that taxing rights over her German income were allocated to Germany. Since the tax payable in Germany was higher than the equivalent French tax would have been the Gillys complained that this amounted to prohibited discrimination under Article 48 and that Article 220 required member states to eliminate double taxation so that France was required to credit the total German tax paid against the Gillys French tax bill.
3. The Court noted that the Treaty did not create a legal right not to suffer double taxation. It was for member states to determine appropriate criteria to avoid double taxation. Differentiation on grounds of nationality in this context was not discrimination prohibited by Article 48. France was not required to credit the amount of German tax paid in order to avoid double taxation.
4. This case establishes that, in the absence of harmonised Community rules, it is for the member states to enter into bilateral agreements with each other and to determine appropriate criteria in order to meet the Treaty objective of eliminating double taxation within the Community.

ECJ Case C-387/96 : Anders Sjoberg –v– Aklagaren (Judgment 19 March)

1. In this case the ECJ was asked to rule on the scope of an exception which may be granted from the rules on road transport driving hours (Regulation 3820/85) and to specify the extent of the monitoring necessary to ensure compliance.
2. Mr Sjoberg was the manager of a limited company SL Buss AB under the control of a Swedish local authority which provided regular bus services in the Stockholm area. The Court was asked to rule whether a conviction for various drivers hours offences should be annulled because an exemption in Article 13(1)(b) for " vehicles used by public authorities which are not in competition with professional road hauliers" applied. It also was asked whether the requirement to carry an extract from the duty roster and a copy of the service timetable was satisfied by carrying an extract from the roster which relates only to the day in question.
3. The European Court of Justice ruled that the exemption does not apply to vehicles belonging to an undertaking which is wholly owned by a public authority and which operates a public passenger service under a contract granting it an exclusive right for a specified period following a call for competitive tenders. The Court also ruled that just carrying a copy of the particular day's roster is insufficient to enable the inspecting officer to monitor compliance with the rules.
4. This is a significant ruling as it confirms that vehicles belonging to private companies providing road transport services which have been contracted out by central or local authorities are, unless exempt on another ground, within scope of the Community drivers hours rules (even if the company is owned by a public body).

ECJ Case C-394/96: Mary Brown –v– Rentokil

1. Mrs Brown was employed by Rentokil as a driver. She informed her employer she was pregnant and thereafter took sick leave, citing pregnancy-related disorders. Her contract of employment stipulated that an employee faced dismissal if he or she was absent because of sickness for more than 26 weeks continuously. Mrs Brown was dismissed after being absent for such a period. Her child was born shortly after this dismissal.

2. At the time events took place in 1990, Mrs Brown could have derived protection from such dismissal if she had been continuously employed for a period of not less than 2 years at the beginning of the eleventh week before the expected date of confinement. This was not the case.

3. The Industrial Tribunal dismissed Mrs Brown's application under the Sex Discrimination Act 1975 and the Employment Appeal Tribunal dismissed her appeal. The Court of Session reached the preliminary conclusion that there was no discrimination within the meaning of the Sex Discrimination Act 1975. Mrs Brown appealed to the House of Lords which referred several questions to the ECJ. The ECJ was asked to consider whether the dismissal of a female employee as a result of absence through illness arising from pregnancy at any time during that pregnancy was contrary to the Equal Treatment Directive No 76/207/EEC. It was also asked to consider what effect contractual provisions allowing for dismissal of any employee after a certain length of absence had on this determination.

4. The ECJ cited its conclusions in the case of Hertz (1990) ECR I-3979 that, during maternity leave accorded to her under national law, a woman is protected against dismissal on the grounds of her absence. The court extended this principle in the instant case and determined that the Equal Treatment Directive precluded dismissal of a female worker at any time during her pregnancy for absences due to incapacity for work caused by illness resulting from that pregnancy. Such a dismissal constituted direct discrimination.

5. The application of a contractual term providing for dismissal after protracted absence in such circumstances also amounted to direct discrimination on the grounds of sex - the situation of a pregnant worker rendered unfit for work by pregnancy-related disorders could not be considered to be the same as that of a male worker absent from work through illness.

6. This case significantly enhances the scope of protection afforded by Community law to workers who are pregnant or on maternity leave. The ECJ expressly disapproves the distinction drawn in the case of C-400/95 Larsson v Fotex Supermarket [1997] ECR I-2757 between a woman's status when she is on maternity leave and her position when she is pregnant but her maternity leave has yet to begin. This is possibly the first example in employment law of the ECH openly and unequivocally departing from a previous and very recent ruling. This case confirms the broad scope of protection against discrimination on the ground of pregnancy under the Sex Discrimination Act 1975. (NB analogous protection is of course available via unfair dismissal provisions in s99 of the Employment Rights Act 1996).

ECJ Case C47/97 : Vehicle Inspectorate –v– E Clarke & Sons (Coaches) Ltd and D J Ferne (Judgment 30 April)

1. In this case the ECJ was asked to rule on the application of an exemption from the rules on road transport driving hours and tachographs (Regulations 3820/85 and 3821/85).

2. Mr Ferne was driving a coach for Clarkes Coaches to pick up a group of tourists from a hotel in London and transport them to the airport. At the airport another group was to be picked up and driven via Hampton Court to another hotel; the aggregate journey was more than 50 km. He was prosecuted for not having a tachograph.

3. The Richmond Magistrates requested a ruling on whether this journey was a “special regular service” as defined in Article 2(1.2) of Regulation 684/92. If it was, then Clarkes would not need a tachograph because of the exemption in Article 4(3) of Regulation 3820/85 as read with Article 3(1) of Regulation 3821/85.

4. The ECJ ruled that the carriage wasn't a “special regular service” because it was dependent on reservations by customers rather than being regular in nature and predetermined by the transport undertaking, it did not follow a precisely defined route, and the group of passengers were not a specified category just by being assembled in advance. Accordingly the exemption from the requirements of the Community drivers hours and tachograph rules did not apply.

5. The case was important principally because if the ruling had gone otherwise a very large number of tourist buses would have been able to claim exemption from the rules, and the objectives of the legislation would have been undermined.

ECJ Case C-226/97: Johannes Martinus Lemmens (Judgment 16 June)

1. This case concerned an Article 177 reference on the interpretation of Council Directive 83/189/EEC, as amended, on technical standards and regulations (the Directive) in the course of criminal proceedings. The defendant attempted to argue that the prosecution could not rely upon evidence derived from apparatus which complied with a technical regulation which had not been notified in draft to the European Commission and other member states in accordance with the Directive. In its ruling the ECJ stated that while a failure to notify renders such regulations inapplicable inasmuch as they hinder the use and marketing of a product which is not in conformity with their provisions, it does not have the effect of rendering unlawful the use of a product which is in conformity with regulations which have not been notified.

2. This ruling is important in the development of the interpretation of the Directive in three respects. First, technical regulations are not outwith the notification requirements because they fall within the scope of criminal law. Secondly, to constitute “technical regulations” within the meaning of the Directive they must concern products intended for everyday use. Thirdly, the use of a product which is in conformity with a technical regulation that has not been notified is not rendered unlawful by the inapplicability of the said regulation.

Appendix C, Part 1: Parliamentary Scrutiny of European Documents

Review of Parliamentary Scrutiny Procedures

1. An overhaul of the arrangements for the Parliamentary scrutiny of EU business began in July 1996 with the publication of a report from the House of Commons European Legislation Committee (27th report, 1995-96). The House of Commons Select Committee on Procedure subsequently considered this report and published a further report on this subject in March 1997 (3rd report, 1997-98). These reports were considered by the House of Commons Select Committee on the Modernisation of the House of Commons in their report on this matter which published in March 1998 (7th report, 1997-98).

2. The Modernisation Committee considered a Memorandum submitted by the President of the Council and Leader of the House in January. The Memorandum confirmed the Government's view that the process for scrutinising European legislation should be overhauled and set out the main ideas the Government wished to consider as part of its overhaul of the scrutiny system. These were:

- that there should be effective scrutiny by Parliament of documents under the inter-governmental pillars (Common Foreign and Security Policy and Justice and Home Affairs);
- acceptance in principle that the scrutiny reserve should apply to documents under the inter-governmental pillars and to legislative proposals on which decisions are reached by Heads of Government at European Councils;
- acceptance in principle that it is important for parliament to be able to maintain an overview of Commission implementing legislation; and
- to involve a wider range of Members of Parliament in European business, including Departmental Select Committees

3. The Government is considering how to respond to the Modernisation Committee's report with a view to bringing forward proposals for the introduction of new procedures as soon as possible.

Deposit of Documents in Parliament

4. 480 European Community documents were deposited in Parliament for consideration by the House of Commons European Legislation Committee and the House of Lords European Communities Committee. In addition 26 3rd pillar documents concerning Justice and Home Affairs business were deposited for consideration by the House of Lords European Communities Committee under the arrangements in place for that Committee to consider such documents.

Consideration by the Scrutiny Committees

5. The European Legislation Committee published 23 reports on documents/EMs considered at their weekly meetings. On 4 March the Committee published a special report

on scrutiny of the EC budget (20th report, 1997–98). The Committee also published the minutes of evidence taken when Mr John Battle MP, Minister for Science, Energy and Industry appeared before the Committee on 10 June to discuss the prospects for business on the agenda of the Research Council scheduled for 22 June (30th report, 1997–98). Ten debates on European Community documents were held in the House of Commons, two on the Floor of the House, and four each in European Standing Committees A and B. See Part 2 of this Appendix.

6. The European Communities Committee published 18 reports on inquiries undertaken, eight were presented for debate and 10 were presented for information. See Part 3 of this Appendix.

Appendix C; Part 2: House of Commons Debates on European Community Documents

Date Subject and Document References

a. Floor of the House

1. 30 April Economic and Monetary Union (7161/98 and 7188/98)
2. 21 May Agenda 2000: Reform of the Common Agricultural Policy (7073/98)

b. European Standing Committee A

1. 14 January Cocoa and chocolate (8164/96)
2. 25 March Bananas/Assistance for traditional ACP suppliers (5357/98 and 6150/98)
3. 29 April Bathing Water/Water Policy (6177/94, 7531/97, 12591/97, 12929/97)
4. 20 May Fisheries monitoring under the Common Fisheries Policy (6123/98)

c. European Standing Committee B

1. 18 February Court of Auditor's Report for 1996/Sound Financial Management (OJ C348, SEM 2000/3)
2. 25 March Aid to Shipbuilding (11165/97 and 11167/97)
3. 1 April Renewable Sources of Energy/Energy Framework Programme (13035/97, Annexes I, IV, V, VI, 5140/98 and UN EM submitted by DTI on 16 March 1998)
4. 8 April Convergence of the Telecommunications, media and Information Technology sectors (13289/97)

Appendix C; Part 3: Reports from the House of Lords Select Committee on the European Communities

a. Reports presented for Debate

	Reports presented	Report No. and Date of Report
1.	Mutual Assistance in Criminal Matters (7945/97, 10985/97, 12323/97)	14th Report (97–98) 17 February
2.	Blood Alcohol Levels for Drivers	16th Report (97–98) 17 March
3.	Sustainable Landfill (6692/97, (COM(97)105))	17th Report (97–98) 17 March
4.	Agenda 2000: CAP Reform — Rural Development and the Rural Environment (9984/97, (COM(97)2000))	18th Report (97–98) 17 March
5.	Chocolate Directive	19th Report (97–98) 17 March
6.	Acquired Rights Revisited (5929/77, (COM(97)60), 6469/97, (COM(97)85))	22nd Report (97–98) 28 April
7.	The European Central Bank	24th Report (97–98) 2 June
8.	Student Mobility in the European Community (11946/97, (COM(97)563))	27th Report (97–98) 9 June

b. Reports Presented for Information

	Reports presented	Report No. and Date of Report
1.	Correspondence with Ministers	11th Report (97–98) 20 January
2.	UK Presidency Work Programme on Justice and Home Affairs. Evidence by Minister of State, Home Office	12th Report (97–98) 3 February
3.	Europol: Joint Supervisory Body	13th Report (97–98) 17 February
4.	Dealing with the Third Pillar: The Government's Perspective	15th Report (97–98) 17 February

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| 5. | Luxembourg European Council
and Programme for the UK Presidency.
Evidence by Minister of State, FCO | 20th Report (97–98)
17 March |
| 6. | Defining the Schengen Acquis | 21st Report (97–98)
17 March |
| 7. | Aid to Shipbuilding
(11165/97, (COM(97)469)) | 23rd Report (97–98)
12 May |
| 8. | Court of First Instance: Single Judge | 25th Report (97–98)
9 June |
| 9. | Community Patent and the Patent
Office in Europe (9657/97, (COM(97)314)) | 26th Report (97–98)
9 June |
| 10. | Taxation and Competition Policy in the
Single Market (6793/97, (COM(97)564)) | 28th Report (97–98)
9 June |

c. Reports Debated

- | | Reports presented | Report No. and Date of Report |
|----|--|--------------------------------------|
| 1. | EC Chocolate Directive | 19th Report (97–98)
30 April |
| 2. | Blood Alcohol Level of Drivers | 16th Report (97–98)
6 May |
| 3. | Mutual Assistance in Criminal Matters
(7945/97, 10985/97, 12323/97) | 14th Report (97–98)
7 May |
| 4. | Agenda 2000: CAP Reform — Rural
Development and the Rural Environment
(9984/97, (COM(97)2000)) | 18th Report (97–98)
18 May |

Appendix D: United Kingdom Trade with other Member States of the European Union

All figures are on a balance of payments basis.

Importance of Trade with the EU

1. Around 55 per cent of the UK's trade (exports plus imports) is now with other member states. Compared with about 40 per cent prior to UK membership. In recent years Germany has become our most important trading partner and eight of our top ten markets are members of the Community.

Trade Performance in the EU

2. In the first half of 1998 UK trade with other member states amounted to £96.4 billion compared with £97.8 billion in the first half of 1997. Exports and imports each fell by 1.5 per cent

3. This decline in the value of trade reflects the appreciation of sterling during the period which led to a fall in the sterling price of both exports and imports. In volume terms exports rose by 7.5 per cent in the period and imports rose by 5 per cent.

By Commodity

4. During the period January-June exports of fuels (mainly oil) accounted for 6 per cent of our total exports to other member states, down from 8 per cent in the same period a year earlier and well below the figure of nearly 30 per cent in the mid-1980s. This declining share can to some extent be explained by weaker oil prices in subsequent years. The surplus on fuels fell by £0.9 billion to £2.3 billion.

5. The deficit on manufactured goods fell by £0.7 billion to £1.7 billion.

Appendix D

UNITED KINGDOM TRADE WITH THE EUROPEAN UNION

£ 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	3.3	3.2	+0.1	104	0.1	0.8	-0.6	19	0.2	0.3	-0.1	63
1971	3.5	3.7	-0.2	94	0.2	0.9	-0.7	18	0.2	0.3	-0.1	65
1972	3.9	4.6	-0.8	83	0.2	1.0	-0.8	21	0.2	0.3	-0.1	69
1973	5.1	6.8	-1.7	75	0.3	1.4	-1.1	22	0.3	0.5	-0.2	60
1974	7.2	9.8	-2.6	73	0.3	2.0	-1.7	14	0.4	0.6	-0.2	61
1975	8.0	10.6	-2.7	75	0.5	2.4	-1.9	21	0.4	0.6	-0.2	67
1976	11.2	13.8	-2.6	81	0.6	2.5	-1.9	25	0.6	0.9	-0.3	68
1977	14.3	16.5	-2.1	87	0.9	2.9	-2.0	31	0.7	1.0	-0.3	69
1978	15.9	18.8	-2.8	85	1.3	3.1	-1.8	41	0.7	0.9	-0.2	76
1979	20.6	23.7	-3.0	87	1.4	3.4	-2.1	40	0.9	1.1	-0.2	82
1980	24.2	23.4	+0.9	104	1.5	3.3	-1.8	45	1.1	1.0	+0.1	106
1981	24.6	24.8	-0.2	99	1.6	3.6	-2.0	44	0.9	1.1	-0.3	78
1982	27.2	28.7	-1.5	95	1.7	4.0	-2.3	43	1.0	1.3	-0.3	76
1983	31.4	34.4	-3.0	91	1.8	4.6	-2.7	40	1.1	1.5	-0.4	76
1984	37.1	40.8	-3.7	91	1.9	5.1	-3.1	38	1.5	1.9	-0.4	77
1985	42.3	45.1	-2.8	94	2.1	5.5	-3.4	38	1.6	1.9	-0.3	83
1986	38.5	48.6	-10.1	79	2.7	6.3	-3.6	43	1.5	1.9	-0.4	79
1987	42.8	54.0	-11.2	79	2.7	6.6	-3.8	42	1.6	2.2	-0.7	71
1988	44.6	60.4	-15.7	74	3.3	6.6	-3.3	50	1.4	2.3	-0.9	60
1989	51.4	68.8	-17.5	75	3.8	7.3	-3.5	52	1.6	2.6	-1.0	61
1990	58.9	70.5	-11.7	83	4.1	7.9	-3.8	51	1.6	2.5	-0.9	65
1991	63.1	65.5	-2.3	96	4.8	7.8	-3.0	62	1.4	2.2	-0.8	62
1992	65.0	69.9	-4.9	93	5.5	8.6	-3.1	64	1.2	2.3	-1.0	55
1993	69.2	74.5	-5.3	93	5.6	8.8	-3.2	63	1.4	2.4	-1.0	58
1994	77.0	82.5	-5.5	93	6.3	9.2	-2.9	68	1.7	2.8	-1.1	60
1995	89.7	93.9	-4.2	96	7.0	10.1	-3.1	70	1.9	3.0	-1.1	64
1996	96.0	100.2	-4.2	96	7.0	11.0	-4.0	64	1.7	3.0	-1.2	58
1997	95.9	100.0	-4.1	95	6.4	10.6	-4.2	60	1.7	2.8	-1.1	60
Jan-June 97	97.9	49.9	-2.0	96	3.3	5.4	-2.2	60	0.8	1.4	-0.6	59
Jan-June 98	47.2	49.2	-2.0	96	3.3	5.2	-2.0	61	0.8	1.3	-0.5	62
Export/ Import Ratio %	Fuels				Manufactures				Export/ Import Ratio %			
	Exports	Imports	Balance	Import Ratio %	Exports	Imports	Balance	Import Ratio %				
1970	0.1	0.2	-0.1	60	2.7	1.8	+0.9	149				
1971	0.1	0.3	-0.1	56	2.9	2.2	+0.7	131				
1972	0.1	0.3	-0.2	53	3.2	2.9	+0.2	108				
1973	0.2	0.5	-0.2	56	4.1	4.3	-0.2	95				
1974	0.5	1.1	-0.6	48	5.8	6.0	-0.2	97				
1975	0.6	1.1	-0.6	51	6.3	6.4	-0.1	98				
1976	0.9	1.5	-0.6	62	8.8	8.7	+0.1	102				
1977	1.4	1.5	-0.1	95	11.0	10.9	+0.1	101				
1978	1.6	1.4	+0.2	115	12.0	13.2	-1.1	91				
1979	3.1	2.1	+1.0	147	14.9	16.8	-1.9	89				
1980	4.7	2.1	+2.7	228	16.6	16.7	-0.1	99				
1981	6.2	2.2	+4.0	276	15.5	17.5	-2.0	88				
1982	7.1	2.3	+4.8	314	17.0	20.8	-3.8	82				
1983	9.1	2.3	+6.8	395	18.8	25.6	-6.8	73				
1984	10.8	3.5	+7.3	310	22.3	29.9	-7.6	75				
1985	12.4	3.4	+9.0	363	25.6	33.7	-8.1	76				
1986	6.1	2.0	+4.1	303	27.4	37.7	-10.4	73				
1987	6.1	2.0	+4.1	302	31.6	42.6	-11.0	74				
1988	4.3	1.5	+2.8	287	34.9	49.0	-14.1	71				
1989	4.3	1.7	+2.6	246	40.9	56.4	-15.5	72				
1990	5.5	2.1	+3.4	268	46.9	57.4	-10.5	82				
1991	5.4	2.0	+3.4	271	50.7	52.7	-2.0	96				
1992	5.0	1.8	+3.2	282	52.4	56.5	-4.1	93				
1993	5.7	1.7	+4.1	342	56.4	61.4	-5.0	92				
1994	5.7	1.5	+4.2	383	63.2	68.9	-5.6	92				
1995	6.2	1.4	+4.8	434	74.4	79.1	-4.7	94				
1996	7.6	1.7	+6.0	455	79.4	84.2	-4.8	94				
1997	8.1	1.4	+6.6	565	79.5	84.8	-6.2	94				
Jan-June 97	4.0	0.8	+3.2	505	39.7	42.1	-2.4	94				
Jan-June 98	3.0	0.7	+2.3	420	40.1	41.8	-1.7	96				

Source: Office for National Statistics



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