

GENERAL SECRETARIAT OF THE COUNCIL
OF THE EUROPEAN COMMUNITIES



**TWENTY-FIFTH
REVIEW
OF THE
COUNCIL'S WORK**

1 January
31 December 1977

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of the
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This publication is also available in

DA ISBN 92-824-0012-3

DE ISBN 92-824-0013-1

FR ISBN 92-824-0015-8

IT ISBN 92-824-0016-6

NL ISBN 92-824-0017-4

A bibliographical slip can be found at the end of this volume

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Published by the Office for Official Publications of the European
Communities

Printed in the FR of Germany

ISBN 92-824-0014-X

Catalogue number: BX-24-78-516-EN-C

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Introduction

The year 1977 was one which saw major developments in the Community's relations with other parts of Europe and with the rest of the world. Firstly, the prospect of enlargement of the Community became more imminent, prompting fresh discussion on the fundamental nature of the future Community.

The accession negotiations with Greece moved into a phase concerned with practical detail. Portugal and Spain submitted their applications for membership and the Council, following the prescribed procedure, asked the Commission for its opinion on these applications.

Another major event in the field of external relations was the signing of cooperation agreements with the four countries of the Mashreq. These agreements go to join those which the Community has signed with the Maghreb countries and the ties which the Community has established with other Arab countries under the Lomé Convention (Mauritania and Somalia). The Council prepared the Community position for two sessions of the General Committee of the Euro-Arab Dialogue, at which the idea of a Dialogue was consolidated and progress made in the various areas covered by development cooperation.

The Protocol signed with Israel bears witness to the Community's faithful pursuit of its policy of equilibrium, which is the truth-stone of its overall Mediterranean approach.

Implementation of the Lomé Convention continued to produce very positive results. The Community and the Member States signed three agreements, which are in the process of being ratified, with Cape Verde, Sao Tome and Principe, and Papua New Guinea, for the accession of these countries to the Lomé Convention.

Still on the topic of relations with developing countries, the Council continued to attach particular importance to the North-South Dialogue, which this year saw the end of the Paris Conference on

International Economic Cooperation, further progress in the formulation of an overall development cooperation policy and the strengthening of ties with the ASEAN countries.

Relations with the State-trading countries saw the official opening of negotiations with the People's Republic of China for the conclusion of a trade agreement – an event whose significance does not need to be stressed – and the continuation of the dialogue with the CMEA. Also worth noting is the fact that, in the context of the negotiations over fishing zones, a Soviet delegation visited Brussels for the first time, to have talks with a Community delegation.

In the context of the efforts being made by the Community and the other major industrialized countries to find a way out of the economic crisis and to stimulate growth, the resumption of the Tokyo Round negotiations – which entered upon an active phase in 1977 – was an important stimulus in combating protectionist tendencies and developing free trade.

On 20 December the Council approved extension of the Multifibre Arrangement and the outcome of the bilateral negotiations held with some thirty exporting countries. The main purpose of these agreements was to apply a brake on imports so as to give the Community textile industry a breathing space in which to continue its restructuring operations and re-establish itself in a competitive position on the international market.

The Community iron and steel industry is likewise in a state of crisis. Also on 20 December the Council reached an overall agreement on the measures to be taken in order to redress the situation. The principal external feature of this plan is the negotiation with the main countries exporting steel to the Community of arrangements involving price disciplines based on the Community's minimum prices, so as to avoid disturbance of the Community market while at the same time maintaining traditional patterns of trade. With regard to the internal aspects, a number of provisions aimed at restructuring the iron and steel industry and at market recovery were approved.

European industry in general is going through a process of reorientation, in order to meet the demands of the radical changes in world trade. In order to permit a greater Community contribution to structural investment, the Council approved the principle of a new

Community instrument for borrowing and lending, by way of an experiment. It also began a review of the European Regional Development Fund.

The measures to restructure and/or expand certain industries are part of the response to the continuing state of economic crisis in Europe. The Council discussed this crisis in depth on a number of occasions. In October 1977 it agreed on an overall strategy involving, among other things, a voluntarist Community policy aimed at obtaining a minimum growth rate of 4 to 4.5 % in the Community gross domestic product, an improvement in the employment situation and a reduction of the Community inflation rate to 8 %.

Further initiatives were taken towards practical steps along the path leading to economic and monetary union.

The Council also reached agreement on a revision of the European Social Fund, which made it possible to concentrate aid more and to simplify administration of the Fund. It examined employment problems, particularly from the angle of unemployment among young people and women. It invited the Commission to prepare detailed proposals for Community aid for programmes designed to promote youth employment and to strengthen the link between post-school training and employment, as well as to expand aid and cooperation between Member States with a view to achieving a balance between supply and demand on the labour market.

In the agricultural sector, the Council examined measures aimed at establishing a better balance between supply and demand in the case of surplus products and between production in the central and northern regions of the Community and that in the south. In this context it also investigated the possibilities of strengthening and expanding Community structural measures.

The formulation of a common sea fisheries policy, made necessary by the extension of exclusive fishing zones to 200 miles, has been the subject of much debate in the Council. Although these discussions have not yet produced any tangible result, the Council has already adopted a number of conservation measures, which were a matter of some urgency in order to preserve certain particularly endangered species.

In the field of science and technology, the search for new sources of energy was an essential feature of Community strategy: the Council's Decision of 25 October 1977 determining the site of the Joint European Torus (JET) was thus of particular importance, since it made it possible, over the months to come, to set up the joint undertaking responsible for carrying out this part of the fusion programme.

The inaugural meeting of the Administrative Council of the European Patent Organization, which took place in Munich from 19 to 31 October 1977, marked the end of the assistance provided by the Council throughout the preparatory work for the opening of the European Patent Office.

Financial year 1978 was the year of the introduction of the European unit of account (EUC) into the budget and of the entry into force of a new Financial Regulation.

The sixth VAT Directive, adopted on 17 May 1977, contains the provisions necessary for achieving a uniform basis of VAT assessment in the Member States, in order to arrive at a common basis for determining own resources deriving from VAT.

The Court of Auditors was set up in 1977 and replaces the two bodies previously responsible for auditing the various Community operations: the Audit Board for the general budget, and the ECSC Auditor for the ECSC's own operations.

Finally, it may be noted that on 5 April 1977 a joint declaration on fundamental rights was signed in Luxembourg by the European Parliament, the Council and the Commission. The declaration highlights the prime importance which the institutions attach to observance of these rights, which are embodied in the constitutions of the Member States and the European Convention for the Protection of Human Rights and Fundamental Freedoms.

This review, like its predecessors, has been prepared by the General Secretariat of the Council and is intended purely as a work of reference for public use.

CHAPTER I

The work of the Institutions

A – The Council

1. The Presidency of the Council was held by the United Kingdom in the first half of 1977, and by Belgium in the second half.

The meetings in the first half of the year were chaired successively by Mr A. Crosland,* Secretary of State for Foreign and Commonwealth Affairs, Dr D. Owen, Secretary of State for Foreign and Commonwealth Affairs, Mr D. Healy, Chancellor of the Exchequer, Mr A. Benn, Secretary of State for Energy, Mr P. Shore, Secretary of State for the Environment, Mr J. Silkin, Minister for Agriculture and Fisheries, Mr J. Morris, Secretary of State for Wales, Mrs J. Hart, Minister for Overseas Development, Mr W. Rodgers, Minister for Transport, Mr R. Sheldon, Secretary of State to the Treasury, responsible for financial matters, and Mr G. Kaufman, Secretary of State for Industry.

The meetings in the second half of the year were chaired successively by Mr H. Simonet, Minister for Foreign Affairs, Mr W. Claes, Minister for Economic Affairs, Mr J. Chabert, Minister for Transport, Mr A. Humblet, Minister for Agriculture and Small Firms and Traders, Mr L. Dhoore, Minister for Health and the Environment, Mr G. Geens, Minister for Finance, Mr L. Ouderts, Minister for Development Cooperation, Mr G. Spitaels, Minister for Employment and Labour, Mr L. Defosset, Minister for Posts and Telecommunications, and Mr M. Eyskens, State Secretary for the Budget.

The meeting held on 12–13 December 1977, which was concerned with agricultural matters, was chaired by Mr Humblet and Mr Dalsager, the Danish Minister for Agriculture.

* Deceased.

The 61 meetings held during 1977 were devoted to the following topics:

- 15 External relations¹ ²
- 12 Agriculture³
- 12 Economic and financial problems ²
- 5 Fisheries³
- 4 Energy
- 3 Development cooperation
- 3 Transport
- 3 Budget
- 2 Research
- 2 Environment
- 2 Social matters
- 1 Fiscal matters
- 1 Public health
- 1 Posts and telecommunications

B – Parliamentary affairs

2. As regards relations between the Council and Parliament and institutional matters, 1977 will be remembered for the entry into force of the Treaty of 22 July 1975.⁴ This concerns relations between the Council and Parliament, since this Treaty lays down the budgetary responsibilities of each of these Institutions, which together constitute the budgetary authority. It also concerns institutional matters, since the Court of Auditors provided for by this Treaty was established on 27 October 1977.⁵

In these closely linked fields of parliamentary and institutional affairs 1977 will also be remembered for the full application of the conciliation procedure, provided for in the joint declaration of

¹ Including one meeting devoted to preparations for the ACP-EEC conference.

² Including three meetings devoted jointly to external relations and financial problems.

³ Including two meetings devoted jointly to agriculture and fisheries.

⁴ See 23rd Review, paragraphs 20 et seq.

⁵ See paragraph 25 of this Review.

Parliament, the Council and the Commission of 4 March 1975.¹ This procedure was applied when the Financial Regulation was adopted.²

As in previous years the President-in-Office of the Council took part in all the part-sessions of Parliament, and attended several meetings of committees and other parliamentary bodies.

As regards institutional matters, the Council continued its work on the passport union and special rights of citizens.

1. PARTICIPATION OF THE COUNCIL IN THE PLENARY SESSIONS OF PARLIAMENT

(a) *Budgetary procedure*²

3. In accordance with the agreement reached by the European Council at its meeting in December 1975 a Council of Ministers for Foreign Affairs and Ministers for Finance met on 5 April 1977 and made an overall assessment of budgetary problems. At a meeting of the Committee on Budgets held on 19 April 1977, Mr Barnett, United Kingdom Parliamentary Secretary to the Treasury, and President-in-Office of the Council, reported on this meeting of the Council.

On 13 September 1977, Mr Eyskens, Belgian State Secretary for the Budget, and President-in-Office of the Council, submitted to Parliament the draft budget of the European Communities for 1978. He pointed out that this budget was the first to be considered since the entry into force of the Treaty of 22 July 1975, and that, in addition, the budgetary procedure on which they were now embarking involved a number of innovations and developments in the budgetary sector, particularly as regards the introduction of the new European Unit of Account, the implementation of the 6th Directive on VAT, and the new Financial Regulation. Lastly he said that, without any doubt, the *Leitmotif* of this budget was that of selective restraint.

Mr Eyskens took part in the general debate held by Parliament during a special part-session on the budget at the end of October.

¹ OJ C 89 of 22. 4. 1975.

² See paragraph 536 of this Review.

Before making a statement on the amendments and modifications proposed by Parliament, on 22 November 1977 the Council met a delegation of Members of Parliament who explained the policy guidelines which Parliament had followed.

On 13 December Mr Eyskens reported to Parliament on the proceedings of the Council, and at its sitting on 15 December Parliament took the vote on the budget.

(b) *Statements on the programmes of the Presidency*

4. On 12 January 1977 Mr Crosland, United Kingdom Secretary of State for Foreign and Commonwealth Affairs and President of the Council, made a statement on the programme of the Presidency for the first half of 1977. Instead of examining in detail the agenda for the next six months Mr Crosland reviewed the general situation in the Community and spoke against adopting too pessimistic an approach. Whilst not for a moment denying a certain loss of direction and a faltering sense of purpose, he yet took a more robust and hopeful view than the pessimists when he considered the Community's achievements.

5. At the sitting of 6 July 1977, Mr Simonet, Belgian Minister for Foreign Affairs and President of the Council, presented the programme of the Belgian Presidency, and spoke mainly of the enlargement and strengthening of the Community, emphasizing that something must be done if the faint hopes of those responsible for leading the Community to form economic integration and real political union were not to be extinguished altogether, especially since the effects of integrating the economies and developing the institutions for such a political union would not be restricted to a geographical area defined once and for all in 1972.

(c) *Statement on the conclusions reached by the European Council*

6. On 20 April 1977, Dr Owen, United Kingdom Secretary of State for Foreign and Commonwealth Affairs and President of the Council, made a statement on the conclusions reached by the European Council which met in Rome on 25 and 26 March 1977, an occasion which also marked the 20th anniversary of the founding of the European Economic Community and the European Atomic Energy Community. In his speech the President of the Council concentrated on the problems of economic

growth, inflation and unemployment, and also on the North-South Dialogue.

7. In his speech to Parliament on 6 July 1977 Mr Simonet also referred to the conclusions reached by the European Council which met on 29 and 30 June in London, and which, he said, illustrated yet again the value of periodic meetings of Heads of State and of Government. He added that this meeting did, however, confirm the need to work towards a method which would strike a balance between exchanges of views and points likely to give rise to decisions, bearing in mind that where such decisions concerned matters covered by the Treaties, they must be governed by the rules laid down therein.

At the sitting of 14 December 1977 Mr Simonet made a statement which emphasized the positive conclusions reached at that meeting. He stated that this European Council had managed to strike a balance between the informal part devoted to free and confidential exchanges of views on the major current problems, and the more structured part, leading to the adoption of certain decisions.

(d) *Other debates*

(i) Site of the JET project

8. On 12 January 1977 Mr Tomlinson, United Kingdom Parliamentary Secretary to the Foreign and Commonwealth Office, and President-in-Office of the Council, took part in a debate on the site of the JET project.

(ii) Interim Community fisheries régime for 1977

9. At the sitting of 9 February 1977 Mr Tomlinson reported on the measures taken by the Council since the adoption on 3 November 1976 of the resolution whereby it was agreed that Member States would, as from 1 January 1977, extend the limits of their fishing zones to 200 miles.

(iii) Agricultural prices

10. Mr Silkin, United Kingdom Minister for Agriculture and President-in-Office of the Council, took part in the part-session of Parliament devoted to agricultural prices, which was held on 22 and 23 March 1977.

On 20 April 1977 Mr Tomlinson reported to Parliament on the meeting of the Council of Agricultural Ministers which took place on 25–29 March to consider the proposed agricultural prices. He was optimistic that it would be possible to resolve the differences which had arisen and to reach agreement at the next meeting of the Council of Agricultural Ministers.

(iv) London summit

11. At the sitting of 11 May 1977 Mr Tomlinson made a statement on the summit meeting of the seven leading industrial democracies held on 7 and 8 May 1977. He emphasized that they pledged themselves to a programme aimed not simply at their own future prosperity but for that prosperity to be more fairly shared in a safe and peaceful world.

(v) Freezing of appropriations for the Joint Research Centre (JRC)

12. On 15 June 1977, following a question put at Question Time, Mr Tomlinson took part in a debate on this subject.

(vi) Economic situation in the Community

13. Mr Simonet took part in a debate on the economic situation which was held on 14 September 1977.

(vii) Enlargement of the Community

14. On 12 October, during the debate on the enlargement of the Community, Mr Simonet expressed his appreciation of the fact that the representatives of the people delegated to Parliament from their national parliaments shared the sentiment expressed unanimously by the Council on the subject of the three new applications when it was asked to decide on starting the procedure which was to lead one day to the integration of these three new members.

(viii) Appointment of members of the Court of Auditors

15. During the same sitting of 12 October 1977 Mr Simonet stressed that the opinion which Parliament was about to give on the appointment of the members of the Court of Auditors was a major event in the political life of the Community as well as for Parliament. In fact, it was undeniable

that one of the essential prerogatives of any parliament was financial control.

(ix) Date of direct elections to Parliament

16. At the sitting of 15 November 1977 Mr Simonet took part in a debate based on an oral question and a motion for a resolution from several political groups.

(x) Development cooperation

17. On 13 December 1977 Mr Outers, Belgian Minister for Development Cooperation and President-in-Office of the Council, made a statement on the conclusions reached by the Council at its meeting on 28 November 1977 on development cooperation. He stressed that the Council had been able to take a number of decisions on subjects that had already been tackled but had yielded no result for many months. More specifically, these concerned the special action, financial and technical aid for the non-associated developing countries, food aid and the coordination of bilateral aid.

(xi) Fisheries policy

18. At the sitting of 15 December 1977 Mr Humblet, Belgian Minister for Agriculture and Small Firms and Traders and President-in-Office of the Council, made a statement on the progress made by the Council in this matter.

2. PARTICIPATION IN THE PROCEEDINGS OF THE COMMITTEES AND OTHER PARLIAMENTARY BODIES

(a) *Parliamentary Committees*

(i) Transport

19. On 24 January 1977 Mr Rodgers, United Kingdom Minister for Transport and President-in-Office of the Council, took part in a meeting of the Committee on Regional Policy, Regional Planning and Transport.

On 17 October 1977 Mr Chabert, Belgian Minister for Transport, and President-in-Office of the Council, also took part in a meeting of this Committee.

(ii) Energy

20. On 26 May 1977, Mr Benn, Secretary of State for Energy and President-in-Office of the Council, took part in a meeting of the Committee on Energy, Research and Technology. On 3 November 1977 Mr Claes, Belgian Minister for Economic Affairs and President-in-Office of the Council also took part in a meeting of this Committee.

(iii) Social affairs

21. On 20 September and 1 December 1977 Mr Spitaels, Belgian Minister for Labour and Employment, and President-in-Office of the Council took part in meetings of the Committee on Social Affairs, Employment and Education.

(b) *Parliamentary Association bodies*

(i) Joint EEC-Greece Parliamentary Committee

22. Mr Tomlinson represented the Council at the meeting of this Committee which was held on 17 and 18 May 1977 at Mitilini.

(ii) ACP-EEC Consultative Assembly

23. Mr Tomlinson represented the Council at the second annual meeting of the ACP-EEC Consultative Assembly, which was held on 8, 9 and 10 June 1977 in Luxembourg.

Mr Outers represented the Council at the meeting of the Joint Committee of the ACP-EEC Consultative Assembly, which met from 28 November to 1 December 1977 at Maseru (Lesotho).

(c) *EEC-Latin America Interparliamentary Conference*

24. Mr Urbain, Belgian State Secretary for Regional Economy, represented the Council at the third EEC-Latin America Interparliamentary Conference, which was held on 24-27 July 1977 in Mexico.

3. WRITTEN AND ORAL QUESTIONS

During the year under review the Council received 152 written questions, replied to 24 oral questions, some with debate, and to 124 supplementary questions submitted at Question Time.

4. CONSULTATION OF PARLIAMENT

During the year the Council consulted Parliament on 163 proposals.

5. CONCILIATION PROCEDURE

This procedure was applied when the new Financial Regulation was being drawn up. It brought the points of view of the Council and Parliament closer together.

C – Institutional affairs

1. ESTABLISHMENT AND SETTING UP OF THE COURT OF AUDITORS

25. The establishment of a Court of Auditors is one of the principal aims of the Treaty of 22 July 1975 amending certain financial provisions of the Treaties. The Court of Auditors is composed of nine members, and its task is to assist Parliament and the Council in exercising their powers of control over the implementation of the budget. In order to carry out this task the new body must draw up two reports per annum, one covering most of its auditing activities, which concern the implementation of the budget of the European Communities, and the second relating to the operating activities connected with the European Coal and Steel Community. Besides drawing up these reports the Court of Auditors enjoys wide consultative powers in that it may at any time submit observations on specific questions and deliver opinions at the request of one of the Institutions of the Communities.

The management of the various Community activities was, of course, already subject to auditing by an external body before the Treaty of 22 July 1975 entered into force. This was a joint body, consisting of

the Audit Board, which was concerned with the management of the general budget, and the ECSC Auditor who was concerned with the operating activities connected with the ECSC.

The establishment of a single audit body is justified for reasons of effectiveness and because it aims to ensure that a body with its own institutional characteristics is entrusted with the task of examining more extensively whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether financial management has been sound.

Following entry into force of the Treaty of 22 July 1975, the members of the Court of Auditors were appointed on 18 October 1977. In accordance with the provisions of that Treaty, Parliament was consulted with regard to the persons nominated by the Member States. On 18 October 1977¹ the Council adopted the Decision appointing the members of the Court of Auditors. These were: Mr P. Gaudy, Mr A. K. Johansen, Mr A. Leicht, Mr P. Lelong, Mr M. N. Murphy, Mr A. Angioi, Mr M. Mart, Mr A. J. Middelhoek and Sir Norman C. Price.

On 25 October 1977 these members gave a solemn undertaking before the Court of Justice to respect the obligations arising from their duties. On the same date the President of the Council, in accordance with the provisions of the Treaty of 22 July 1975, appointed by lot the four members of the Court of Auditors whose term of office is due to expire on 17 October 1981, the term of office of the other five members being due to expire on 17 October 1983.²

2. PASSPORT UNION

26. The Council continued its work on the establishment of a uniform passport.

3. SPECIAL RIGHTS OF CITIZENS

27. The main matters studied in this connection were the problems relating to voting rights and eligibility to vote in elections other than national elections, and problems relating to the right of abode.

¹ OJ L 268 of 20. 10. 1977.

² OJ C 262 of 1. 11. 1977.

D – Council – Court of Justice

28. During 1977 the Council appeared before the Court of Justice in 15 cases.

Five cases concerned actions for damages, and were brought against the Council and the Commission. In these cases, and in three other cases concerning actions for damages, private firms with registered offices in the Member States were claiming damages. In five cases Japanese firms and their European subsidiaries were bringing actions against Community anti-dumping regulations.

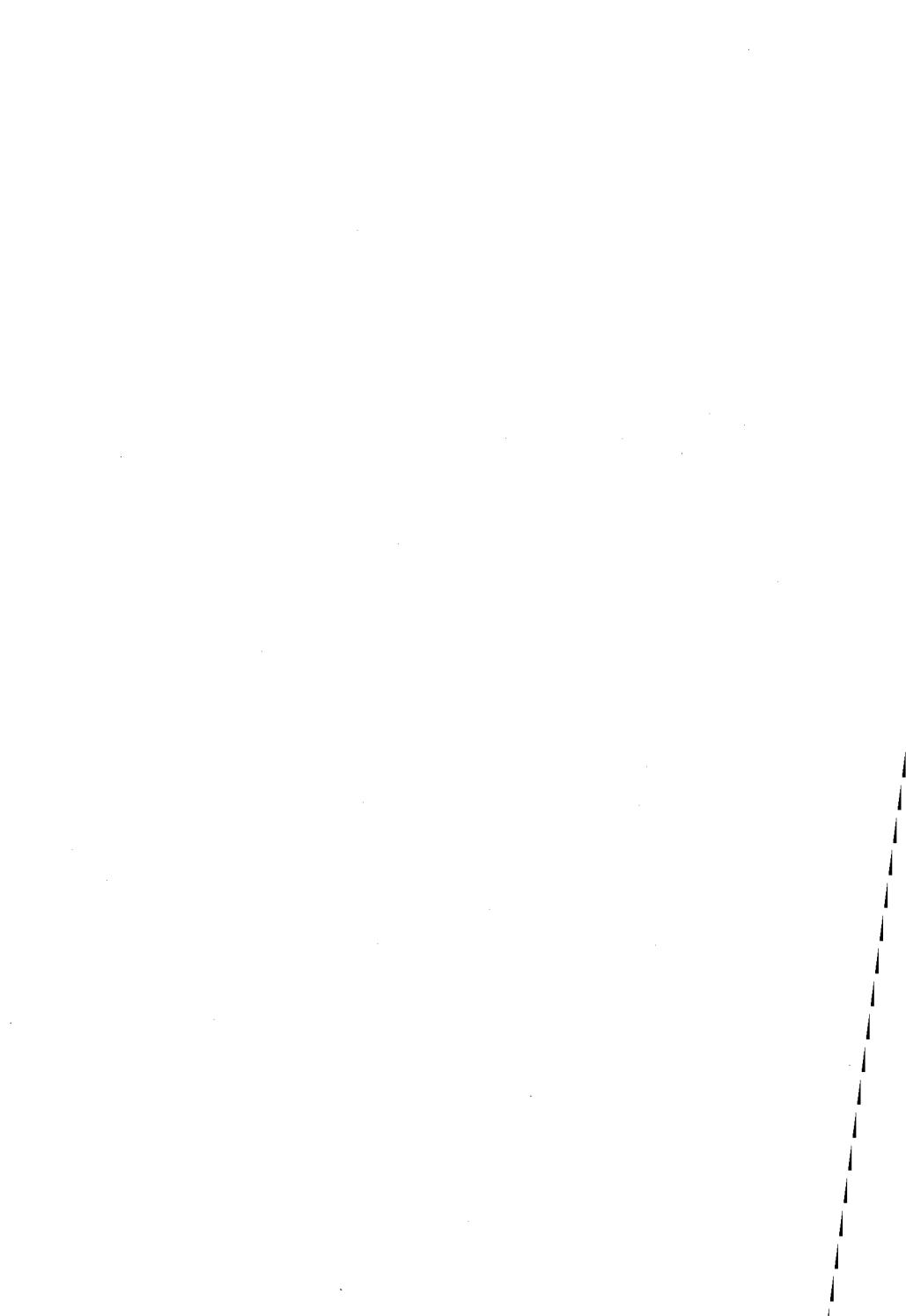
One of the remaining two cases concerned a personnel matter and the other a claim, brought by an importing and trading association, against a Council Regulation.

In addition the Council was also involved in 11 cases concerning requests for a preliminary ruling within the meaning of Article 177 of the EEC Treaty.

E – Relations with the Economic and Social Committee

29. At the three plenary sessions of the Committee the Council was represented by its President – on 25 May 1977 by Mr Judd, Minister of State, Foreign and Commonwealth Office, on 23 June 1977 by Mr Grant, Parliamentary Secretary to the Department of Employment, both of the United Kingdom, and on 23 November 1977 by Mr Chabert, Belgian Minister for Transport.

During the year there were several meetings between the President of the Permanent Representatives Committee and the President of the Economic and Social Committee. At the meeting on 1 June 1977 the latter stated that a subcommittee was being set up to investigate means of increasing the influence of the ESC.



CHAPTER II

Freedom of movement and common rules

A – Customs union, free movement of goods

1. COMMON CUSTOMS TARIFF

30. During 1977 the Council continued its normal work on tariffs.

It adopted one Regulation amending the Common Customs Tariff, eight Regulations temporarily suspending the autonomous duties in the Common Customs Tariff on a large number of products and 21 Regulations either on the opening, allocation and administration of Community Tariff quotas for certain products or on the increase of quotas previously decided on by the Council.

2. INTERNATIONAL CUSTOMS CONVENTIONS

31. On 3 June 1977 the Council adopted Decision 77/415/EEC accepting on behalf of the Community several annexes to the International Convention on the simplification and harmonization of customs procedure.¹ These annexes are mainly concerned with rules of origin, documentary evidence of origin, customs transit, temporary admission for inward processing and temporary exportation for outward processing

32. The Council also adopted a Decision concerning the acceptance of the Customs Cooperation Council recommendation of 18 June 1976 to amend the Nomenclature for the Classification of Goods in Customs

¹ OJ L 166 of 4. 7. 1977.

Tariffs¹ and a decision on the conclusion by the Community of the European Agreement on the exchange of tissue-typing reagents and the Additional Protocol thereto.² This Agreement and its Additional Protocol were signed on behalf of the Community on 22 November 1977.

In other spheres governed by Council Decisions regarding international customs conventions the task of coordination proceeded on a regular basis within the Council, following an *ad hoc* procedure, with a view to establishing the joint position to be adopted by the Community and its Member States during negotiations in the international areas concerned.

B – Right of establishment, freedom to provide services, company law

33. During the year the Council adopted three Directives concerning the right of establishment and freedom to provide services for the liberal professions: a Directive to facilitate the effective exercise by lawyers of freedom to provide services, adopted on 22 March 1977;³ a Directive concerning the mutual recognition of diplomas of nurses, and a Directive concerning the coordination of provisions laid down by law in respect of the activities of nurses, both adopted on 27 June 1977.⁴

34. In December 1977 the major problems raised by a Directive concerning the mutual recognition of architects' diplomas were discussed at the political level. Work is continuing on Directives concerning dentists, midwives and veterinary surgeons.

35. On 12 December 1977 the Council adopted a Directive on the coordination of laws relating to the taking up and pursuit of the business of credit institutions.⁵ The Council started to examine a Directive on collective investment undertakings for transferable securities.

36. In accordance with the terms of reference of the Council, intensive work is being carried out on insurance matters. A Directive on

¹ OJ L 149 of 17. 6. 1977.

² OJ L 295 of 18. 11. 1977.

³ OJ L 78 of 26. 3. 1977.

⁴ OJ L 176 of 15. 7. 1973.

⁵ OJ L 322 of 17. 12. 1977.

co-insurance should soon be ready for submission to the Council for its approval, the major problems arising in connection with the Directive on life insurance are being studied at the political level and work on the Directive concerning non-life insurance has continued.

37. The main points arising from the fourth Directive on company law (annual statement of accounts) are being studied at the political level.

38. The Council is continuing its examination of the sixth Directive (prospectus to be published when securities issued by companies are admitted to official stock exchange quotation). Progress has also been made on the third Directive (internal mergers) and the Directive on the admission of transferable securities to official stock exchange quotation.

39. The Council continued its examination of a Council Regulation concerning the Statute of European joint stock companies ('SE').

C – Common rules

1. RULES OF COMPETITION

40. On 4 November 1977 the Commission submitted to the Council a proposal for a Directive on aid to shipbuilding to replace the third Directive due to expire on 31 December 1977. The Directive was adopted by the Council on 4 April 1978.

2. APPROXIMATION OF LAWS

Harmonization of laws

(a) *Customs laws*

41. The Council continued its work on harmonization in this field. On 8 February 1977 it adopted a Regulation amending Regulation (EEC) No 97/69¹ on measures to be taken for uniform application of the Nomenclature of the Common Customs Tariff.¹ On 20 September 1977 the Council also adopted a Regulation introducing a Community export

¹ OJ L 40 of 11. 2. 1977.

declaration form.¹ The aim of this Regulation is to simplify for the users the completion of the few remaining formalities in intra-Community trade by introducing a standard form aligned on the model drawn up under the auspices of the Economic Commission for Europe, as in the case of the transit declaration form.

(b) *Elimination of technical barriers to trade in industrial products*

42. In implementation of its Resolution of 17 December 1973 on industrial policy,² the Council has continued its activities aimed at eliminating technical barriers to trade in industrial products. Sixteen Directives were adopted during 1977, which brings the number of Directives so far adopted in this sector to 98.

This represents an appreciable contribution to the strengthening of trade links within the Community and the protection of consumers and users for whose benefit these measures were primarily conceived.

The 16 Directives adopted in 1977 concern the following matters:

- motor vehicles:
 - permissible sound level;³
 - towing devices;
 - rear fog lamps;
 - reversing lamps;
 - parking lamps;
 - safety belts and restraint systems;⁴
 - driver's field of vision;
 - interior fittings (identification of controls, warning lights and indicators);
 - de-frosting and de-misting devices;
 - windscreen wiping and windscreen washing devices;
 - Directive amending Directive No 70/156/EEC on the type-approval of motor vehicles which extends freedom of movement to vehicle parts constituting separate mechanical units, such as exhaust or braking systems;

¹ OJ L 246 of 27. 9. 1977.

² OJ C 117 of 31. 12. 1973.

³ OJ L 66 of 12. 3. 1977.

⁴ OJ L 220 of 29. 8. 1977.

- wheeled agricultural or forestry tractors:
 - permissible noise level;¹
 - roll-over protection structures;
 - emission of pollution from diesel engines;²
- measuring instruments:
 - measuring systems for liquids other than water;¹
- dangerous substances and preparations:
 - paints and varnishes.³

43. On 29 June 1977 the Council also adopted a Resolution on EEC whole vehicle type-approval for passenger cars, in which it reaffirmed its determination to put EEC whole vehicle type-approval for passenger cars into operation as soon as possible.⁴

(c) *Special pharmaceutical products*

44. On 12 December 1977 the Council adopted a Directive relating to the colouring matters which may be added to medicinal products.⁵

D – Industrial property

1. EUROPEAN PATENT

45. During 1977 the work of the Interim Committee of the European Patent Organization was completed, and the European Patent Organization was established following the entry into force on 7 October 1977 of the European Patent Convention of 5 October 1973. The inaugural meeting of the Council of the European Patent Organization, held on 19–21 October 1977 in Munich, marked the end of the period over which the Council had agreed to give assistance during the preparatory work for the opening of the European Patent Office.

¹ OJ L 105 of 28. 4. 1977.

² OJ L 220 of 29. 8. 1977.

³ OJ L 303 of 28. 11. 1977.

⁴ OJ C 177 of 26. 7. 1977.

⁵ OJ L 11 of 14. 1. 1978.

46. The Interim Committee of the European Patent Organization, composed of the representatives of the 16 States which have signed the Munich Convention (the nine Member States of the European Economic Community, Austria, Greece, Liechtenstein, Monaco, Norway, Sweden and Switzerland), held its eighth and ninth meetings in Brussels and its last meeting in Luxembourg during 1977. At the last meeting an information session was organized for the 40 international non-governmental organizations representing interested parties. During this session a report was given on the work done by the Interim Committee with a view to opening the European Patent Office.

When it came to the end of its work the Interim Committee submitted to the Administrative Council and the President of the European Patent Office an impressive set of recommendations designed to ensure the smooth working of the Office from the outset. These recommendations were adopted by the Committee on the basis of proposals and studies submitted by the seven working parties set up by the Committee.

The Administrative Council of the European Patent Organization, at its inaugural meeting on 19–21 October 1977, adopted practically without amendment all the texts recommended for adoption by the Interim Committee. The President of the Office will take the numerous other recommendations submitted by the Interim Committee as a basis for the day-to-day running of the Office.

The work of the Interim Committee, whose efforts have been crowned by the decisions of the Administrative Council mentioned above, concerned the following fields:

— Organization. The Committee approved all the descriptions of posts in the Office. On the basis of these descriptions, and taking account of the establishment plan which had been adopted, the Committee undertook the initial selection of some 100 officials to be employed by the Office as from 1 November 1977.

It also made a recommendation concerning the nomination of the President of the Office and of the persons upon whom the main administrative duties would devolve.

— Directives relating to the examination carried out at the European Patent Office, designed to guide examiners in their work. The Office for Official Publications of the European Communities published a

second volume to the 1976 issue which contained directives on opposition procedure. All these directives require formal approval by the President of the European Patent Office.

- Staff Regulations. The Committee finalized the Staff Regulations and the regulations on pensions, internal taxes and a number of other matters. This work was based upon the system of remuneration used by the coordinated organizations, of which the European Patent Organization is to seek membership.
- Finance. The Committee drew up the Financial Regulation and the budget for the first financial year of the European Patent Organization, which covers the period 1 October 1977 to 31 December 1978. The Committee also drew up the text of the Regulation on taxes. The level of taxes and the first budget are in accordance with a long-term financing plan designed to guarantee the financial autonomy of the Office within some ten years. Extraordinary financial contributions from the Member States will be essential during this initial period, but will be reimbursed, in accordance with this financing plan, after a period of approximately 25 years.
- Legal matters. The Committee finalized a number of amendments and supplements to the Regulation implementing the Convention. The Committee also drew up a large number of draft conventions to be concluded between the European Patent Organization and countries or international organizations. All these drafts were approved by the Administrative Council and six have already been signed. These are the two Agreements on the seat of the organization – with the Federal Republic of Germany and the Netherlands, the Agreement on the establishment of the Berlin agency concluded with the Federal Republic of Germany, the Agreement on the transfer of certain examination work concluded with the UK Patent Office, the Agreement on the establishment of the Munich European School concluded with the Board of Governors of the European School and, lastly, the Agreement on the integration of the International Patent Institute into the European Patent Office concluded with the International Patent Institute. The last of these Agreements is of particular importance. It provides that on 1 January 1978 the whole of the assets and liabilities as well as the staff of the International Patent Institute in The Hague shall be

transferred to the European Patent Office. As from that date the 800 or so officials of the International Patent Institute will become officials of the European Patent Office, and the Institute itself will become The Hague department of the European Patent Office.

- Research. Two Agreements on the transfer of certain research work will be concluded with Austria and Sweden as soon as these two countries have ratified the Munich Convention.

Lastly, the Committee adopted a set of regulations concerning agents authorized by the European Patent Office, which provide for the establishment of an Institute of Authorized Agents.

At its meetings in Munich the Working Party on the European Patent Office building has been following up the construction works and the carcass work involved has now reached completion.

The Interim Committee and its dependent bodies held a total of 36 meetings (81 days of meetings) during 1977.

2. COMMUNITY PATENT

47. The Interim Committee for the Community Patent, which comprises representatives of the nine Member States and the Commission, held its second and third meetings during 1977. It is the task of this Committee to complete the preparatory work for the implementation of the Convention on the Community Patent, which was signed in Luxembourg on 15 December 1975. The Committee received an initial report from the three working parties which it had set up and drew up the programme and timetable for its forthcoming tasks. These are due for completion at the beginning of 1980, when the Luxembourg Convention may enter into force.

Working Party I (on organization, staff and financial matters) and Working Party II (on applications to special tribunals and general legal matters) held one meeting during 1977, at which they drew up their programmes and working methods.

Working Party III (on infringement) held three meetings, at which it examined existing legislation in the different Member States regarding infringement. Thus the Working Party acquired the basic information necessary for drawing up an Additional Protocol to the Luxembourg

Convention aimed at setting up a Community legal tribunal to deal with litigation concerning infringement of the Community Patent.

The Interim Committee for the Community Patent also served as a body through which the delegations of the Member States coordinated their viewpoints on several problems raised by the forthcoming entry into force of the PCT (Patent Cooperation Treaty).

3. CURRENT NEGOTIATIONS WITHIN THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO) AND THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

48. Several sets of negotiations within the WIPO have been of particular interest to the Communities. A case in point is the revision of the Paris Convention for the Protection of Industrial Property of 20 March 1883, which was to involve alterations to the worldwide system regarding industrial property in order to take account of the requirements of the developing countries. The Member States and the Commission have held several coordinating meetings in connection with these negotiations.

The problems connected with alterations to the worldwide system regarding industrial property in so far as relations between industrialized and developing countries are concerned, were also examined by UNCTAD as part of its work on the transfer of technologies. The viewpoints of the Member States of the Communities on these topics were coordinated at meetings held on this matter.

CHAPTER III

Economic and social policy

A – Economic, financial and fiscal questions, and export credit

49. During 1977 the Council devoted 12 meetings to economic, financial and fiscal questions. On various occasions the Council also considered matters connected with export credit.

1. COORDINATION OF THE ECONOMIC POLICIES OF THE MEMBER STATES

50. The Council carried out the three examinations of the economic situation in the Community laid down by the Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States.¹

- On 14 March 1977 it adopted the economic policy guidelines for 1977.²
- On 18 July 1977 it adopted a Decision on the preparation of public budgets for 1978.³
- On 21 November 1977 it adopted the Annual Report on the economic situation in the Community and the economic policy guidelines for 1978.⁴

51. In addition to these three examinations, on 14 February, 19 September and 17 October 1977 the Council held detailed discussions on the economic situation in the Community.

¹ OJ L 63 of 5. 3. 1974.

² OJ L 119 of 12. 5. 1977.

³ OJ L 204 of 10. 8. 1977.

⁴ OJ L 323 of 19. 12. 1977.

On 17 October 1977 the Council agreed to an overall approach comprising a policy of voluntary cooperation in the Community in order to achieve the following aims:

- a minimum growth rate of 4-4.5 % of the Community's gross domestic product in real terms which would come from an additional increase in domestic demand of 1 %, without increasing production costs;
- an improvement in the labour market situation by implementing a dynamic employment and vocational training policy and by increasing the mobility of the labour force;
- a reduction in the rate of inflation in the Community to 8 %, with the difference between the highest and lowest rates within the 4-10 % bracket.

2. FOURTH MEDIUM-TERM ECONOMIC POLICY PROGRAMME

52. On 14 March 1977 the Council adopted the fourth medium-term economic policy programme,¹ provided for under Article 6 of the Decision of 18 February 1974.²

3. INVESTMENT AND BORROWING IN THE COMMUNITY

53. In June 1977 the Council received a communication from the Commission on investment and borrowing in the Community. In this communication the Commission proposed that a new instrument should be created for raising loans on the capital markets and for authorizing the issue of loans under the same conditions for financing structural investment programmes in conformity with the Community's priority objectives.

The communication, together with the opinions of the Monetary Committee and the Economic Policy Committee, was submitted to the European Council held on 5-6 December 1977. The latter approved in principle the creation of a new instrument for Community investment and borrowing on an experimental basis, the loans issued to be administered by the European Investment Bank.

¹ OJ L 101 of 25. 4. 1977.

² OJ L 63 of 5. 3. 1974.

The new financial instrument will be implemented in the course of 1978 on the basis of a formal proposal by the Commission and a Council Decision.

4. PROSPECTS FOR ECONOMIC AND MONETARY UNION

54. In November the Commission submitted a communication to the Council on the prospects for economic and monetary union. An initial discussion was held on this communication within the Council on 21 November 1977 and it was subsequently submitted to the European Council – which gave it a favourable reception – at its meeting on 5-6 December 1977.

The communication will be studied in the course of 1978.

5. IMPROVED COORDINATION OF NATIONAL ECONOMIC POLICIES

55. The Commission submitted a communication to the Council on this matter on October.

The European Council held on 5-6 December 1977 recognized that in order to go beyond a juxtaposition of national objectives, convergence of economic policies had to be backed up by improved coordination of national instruments and their incorporation into a Community framework and procedure.

This problem is at present being studied by the committees which specialize in economic and financial matters and will be dealt with again by the Council in 1978.

6. TRIPARTITE CONFERENCE

56. The third Tripartite Conference¹ met on 27 June 1977 and was attended by representatives of both sides of industry and members of the Council and of the Commission. The preparatory work was done by the Council at its meeting on 20 June 1977, when the major economic and social problems were reviewed.

¹ See paragraph 179 of this Review.

7. STRENGTHENING THE INTERNAL COHESION OF THE COMMUNITY

57. At its meeting on 26 July 1976 the President-in-Office of the Council, Mr Duisenberg, had submitted a communication on the subject of strengthening the internal cohesion of the Community in economic and financial matters. This communication was examined during 1976 and the Council held a number of discussions on it.

However, a final discussion was held on a specific point at the meeting on 14 March 1977. The Council expressed its pleasure that the Monetary Committee and the Committee of the Governors of the Central Banks intended to hold regular consultations on trends in exchange rates in the Community and on economic, monetary and budgetary policy measures which affected these trends.

8. IMPROVEMENT OF THE MACHINERY FOR SHORT-TERM AND MEDIUM-TERM CREDIT

58. On 21 November 1977 the Council decided to strengthen the machinery for short-term and medium-term credit.

With reference to the short-term monetary support among the Central Banks of the Member States, the Council took note of the intention of the Committee of Governors – which administers this credit machinery – to make the machinery more effective (by doubling the credit periods for debtors and creditors), and to examine the possibility of increasing the quotas when the next quinquennial revision of the agreement establishing the system of short-term monetary support took place, which would be before March 1979.

With regard to the machinery for medium-term financial assistance,¹ the Council decided to strengthen the existing machinery by allowing the Member States' commitment ceilings to be doubled and the rules governing the conditions to be attached to the assistance and to the supervision of the agreed conditions to be altered.²

¹ OJ L 73 of 27. 3. 1971.

² OJ L 14 of 18. 1. 1978.

9. COMMUNITY LOANS

59. Pursuant to the Regulation of 17 February 1975 concerning Community loans,¹ on 18 April 1977 the Council renewed the authorization granted to the Commission in November 1976 to contract a loan of 500 million US dollars in favour of the Italian Republic. The Decision relating to this operation was finally adopted by the Council on 17 May 1977.²

This loan and the loan of 1 000 million dollars granted in March 1976 were governed by conditions regarding economic policy to be observed by the Italian Republic during 1977.²

10. INTERNATIONAL MONETARY PROBLEMS

60. At its meetings on 14 March, 18 April and 19 September 1977 the Council made preparations for the meetings of the Interim Committee and the annual Assembly of the International Monetary Fund and the World Bank. The Community's viewpoint was presented to these meetings by the President of the Council in the form of a statement which had previously been finalized at Community level.

11. OVERALL ASSESSMENT OF THE COMMUNITY'S BUDGETARY PROBLEMS

61. On 5 April 1977 the Council held a joint meeting with the Ministers for Finance and Economic Affairs and the Ministers for Foreign Affairs. On the basis of a communication from the Commission an overall assessment of the Community's budgetary problems was made by the Council at that meeting.

12. APPLICATION OF ARTICLE 131 OF THE ACCESSION TREATY

62. The application of Article 131 of the Accession Treaty – which provides for a certain ceiling to the contributions of the new Member States to financing the budget in 1978 and 1979 – was discussed at a meeting of the Council attended by the Ministers for Finance and

¹ OJ L 46 of 20. 2. 1975.

² OJ L 132 of 27. 5. 1977.

Economic Affairs and the Ministers for Foreign Affairs on two occasions during the last quarter of the year.

Agreement was reached at the meeting of the European Council on 5-6 December 1977.

13. OWN RESOURCES

63. In order to implement in its entirety the system of using the Community's own resources provided for in the Decision of 21 April 1970,¹ under which the national contributions to financing the budget are to be replaced by resources accruing from Value Added Tax, during the first part of the year the Council concentrated on adopting the sixth Directive on VAT. This Directive, which was adopted on 17 May 1977,² contains the provisions necessary to establish a uniform basis of assessment of VAT in the Member States, so as to give a common basis for determining VAT own resources to be allocated to the Communities.

The sixth Directive on VAT was accompanied by a Financial Regulation on VAT which contains the methods of calculating the basis on which Community resources are to be assessed. These resources arise from applying to the common basis a Community rate which may not exceed 1 %. The Financial Regulation on VAT was adopted by the Council on 19 December 1977.³

64. On the same date the Council adopted, in the form of a Regulation, the provisions relating to the accounting, making available and managing all the Community's own resources.³ As from 1 January 1978 these provisions replace those of the former Regulation 2/71.

14. TAX HARMONIZATION

65. As a follow-up to the Council Resolution of 10 February 1975 on the measures to be taken by the Community to combat international tax evasion and avoidance, on 19 December 1977 the Council adopted a Directive concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation.³

¹ OJ L 94 of 28. 4. 1970.

² OJ L 145 of 13. 6. 1977.

³ OJ L 336 of 27. 12. 1977.

This Directive contains an initial series of measures to combat international tax evasion and avoidance. They are concerned with the exchange of information and cooperation between the tax administrations of the Member States so that taxes on income and capital may be correctly assessed.

66. As part of the process of harmonizing the structures of excise duty on manufactured tobacco, on 19 December 1977 the Council adopted a Directive laying down the special criteria applicable to excise duty on cigarettes during the second stage of harmonization.¹ This Directive lays down that during the second stage, which runs from 1 July 1978 to 31 December 1980, the Member States must apply a specific component of the excise duty on cigarettes which may not be less than 5 % or more than 55 % of the amount of the total tax burden, including VAT.

67. On 19 December 1977 the Council adopted a Directive according a derogation to the Kingdom of Denmark for a period of five years as from 1 January 1978 relating to the harmonized rules governing exemption from turnover tax and excise duty on imports in international travel.² Under this derogation Denmark may limit the duty-free importation of tobacco products, certain alcoholic beverages and beer.

15. CREDIT INSURANCE, CREDIT GUARANTEES AND FINANCIAL CREDITS

68. During 1977 the Council devoted particular attention to the problem of the application by the Community of certain guidelines in the field of export credits, with reference to the difficulty of imposing constraints on the main credit suppliers.

A Decision dated 14 March 1977, based on Article 113 of the EEC Treaty, implemented various guidelines concerning the main conditions, such as down-payments, interest rates and loan periods, which – under the most favourable terms – may govern credits of a duration of two years or more, provided they are supported by public funds. These guidelines had been adopted on an experimental basis and were subsequently extended to 31 December 1977 by a Council Decision of 16 June 1977. In view of this development the Commission

¹ OJ L 338 of 28. 12. 1977.

² OJ L 336 of 27. 12. 1977.

decided not to continue to apply the 'violation' procedure provided for under Article 169 of the EEC Treaty and initiated against a number of Member States for having taken part individually in international discussions, and subsequently implemented a number of guidelines on export credits.

Starting in October 1977 – and still in progress on 31 December 1977 – exploratory discussions followed by actual negotiations were held with most of the credit-supplying countries on the possibility of renewing and tightening up procedures in this field. Taking account of the position the Council adopted two Decisions, both on the basis of Article 113 of the EEC Treaty. The first, dated 5 December 1977, concerns the Community's position in these negotiations. The second, dated 20 December 1977, seeks to extend the period of validity of the guidelines pending completion of the negotiations mentioned above or until 30 June 1978 at the latest.

69. Secondly, on 6 June 1977, the Commission submitted to the Council a proposal for a Directive, also based on Article 113 of the EEC Treaty, concerning the uniform principles to be applied to transactions involving credit insurance and export credit guaranteed for medium- and long-term operations on public and private purchases. These uniform principles would apply, in the case of suppliers' credit, to operations covered by individual or overall policies, and, in the case of financial credits, to operations covered by individual policies. They would also be applied to direct guarantees to banks, and to performance bonds.

This proposal is being examined by the Council.

B – Social policy

70. During 1977 the problems of employment and unemployment, particularly among young people and women, and the reform of the European Social Fund, were the main items in the Council's activities. The Council held two meetings on these matters, on 28 June and 28 October 1977. The Standing Committee on Employment held two meetings, on 5 May and 24 November 1977.

1. EMPLOYMENT POLICY

71. The Commission submitted a communication to the Council on youth employment and at its meeting of 28 October 1977 the Council held a policy debate on this topic.

The Commission's suggestions in its communication were mainly concerned with:

- new aids to assist job creation and employment of young people, in the form of a Community premium for creating jobs in undertakings, and Community participation in job-creation programmes in sectors of public interest;
- an increase in Community assistance for further training of young school-leavers in the form of support for practical training and actions of a more general nature.

At the end of the exchange of views the President drew the following conclusions:

'As instructed by the European Council at its meeting on 28 and 29 June 1977, the Council, in the light of its review of the measures taken by the Member States to promote employment and training for young people, held an initial examination of the joint action to be undertaken.

The Council accordingly invites the Commission to prepare detailed proposals for Community aid for programmes designed to encourage youth employment in the Member States. The Council considers that such proposals should be selective and should ensure that the aid is granted to areas of greatest need.

The Council invites the Commission to work out measures, within the framework of the European Social Fund, for strengthening the link between the post-school training and the employment of young people.

Finally, the Council encourages the Commission to secure an increase in assistance and cooperation among the Member States in developing their institutions for achieving optimum balance between supply and demand on the labour market.'

2. EUROPEAN SOCIAL FUND

(a) Reform of the European Social Fund

72. Following its discussions on 28 June and 28 October 1977, on 20 December 1977 the Council adopted all the texts relating to the reform of the Social Fund,¹ which will allow the Fund to come into operation on 1 January 1978 in its new form.

Under Article 123 of the EEC Treaty the task of the Social Fund is to render the employment of workers easier and increase their geographical and occupational mobility.

The Social Fund will have the following amounts at its disposal for the 1978 budget year:

- 569.6 million EUC in commitment appropriations;
- 538.8 million EUC in payment appropriations.

73. In carrying out this reform the Council aimed to make the assistance provided by the Fund and its operation more effective, logical and forceful, in view particularly of the serious employment situation in the Community.

While the Fund could still provide support for Community policies or specific joint projects, the Council sought to ensure that assistance

¹ Council Decision 77/801/EEC of 20 December 1977 amending Decision 71/66/EEC on the reform of the European Social Fund, OJ L 337 of 27. 12. 1977.

Council Regulation (EEC) No 2893/77 of 20 December 1977 amending Regulation (EEC) No 2396/71 implementing Council Decision of 1 February 1971 on the reform of the European Social Fund, OJ L 337 of 27. 12. 1977.

Council Regulation (EEC) No 2894/77 of 20 December 1977 amending Regulation (EEC) No 858/72 on certain administrative and financial procedures for the operation of the European Social Fund, OJ L 337 of 27. 12. 1977.

Council Regulation (EEC) No 2895/77 of 20 December 1977 concerning operations qualifying for a higher rate of intervention by the European Social Fund, OJ L 337 of 27. 12. 1977.

Council Decision 77/802/EEC of 20 December 1977 amending certain Decisions adopted pursuant to Article 4 of Decision 71/66/EEC on the reform of the European Social Fund, OJ L 337 of 27. 12. 1977.

Council Decision 77/803/EEC of 20 December 1977 on action by the European Social Fund for migrant workers, OJ L 337 of 27. 12. 1977.

Council Decision 77/804/EEC of 20 December 1977 on action by the European Social Fund for women, OJ L 337 of 27. 12. 1977.

from the Fund was concentrated more specifically on the most pressing problems, i.e. regional structural imbalances in employment.

74. The Council was also concerned to make a practical gesture of Community solidarity by providing for a greater amount of aid to be allocated to operations in regions where the imbalance in employment was particularly serious and of long standing, i.e. Greenland, the French overseas departments, the Republic of Ireland, Northern Ireland and southern Italy.

75. Particular importance attaches to those provisions in the regulations which concern the long-term guidelines laid down by the Commission for the management of the Fund which will alleviate the task of assessing requests for assistance from the Fund and allocating resources. Mention should also be made of the provisions on simplifying aids, calculating assistance from the Fund, the procedure to be followed for submitting applications, and the granting of advances solely on the basis of certificates from the Member State concerned. The effect of these provisions will be to rationalize and streamline the management of the Fund and to accelerate payments, to the benefit of those in charge of these projects.

76. In addition the Council decided that the Social Fund should give assistance to women aged 25 and over who wished to exercise an occupation for the first time or after a long break, or to women who have lost their employment. This assistance is intended to mitigate the difficulties experienced by women on entry or re-entry into working life, by reason of insufficient – or non-existent – vocational qualifications. Assistance of this nature for women covers the vocational adaptation of instructors when the training they provide encourages the employment of women.

77. Lastly, those items of assistance from the Fund which had already been sanctioned and which were due to expire at the end of 1977, covering textiles and clothing, young people and migrant workers, were extended until 31 December 1980.

(b) *Examination of the fifth report on the European Social Fund – financial year 1976*

78. At its meeting on 28 October 1977 the Council took note of the report submitted by the Commission and of the comments made by the delegations.

3. IMPROVEMENT OF LIVING AND WORKING CONDITIONS

(a) Safety at the place of work

79. At its meeting on 25 July 1977 the Council adopted Directive 77/576/EEC on the approximation of the laws, regulations and administrative provisions of the Member States relating to the provision of safety signs at places of work.¹

The Directive lays down that the Member States must take all necessary measures to ensure that:

- safety signs at places of work conform to the principles determined in the Directive (regarding safety colours, the form of safety signs, etc);
- only those safety signs defined in the Directive are used to indicate the dangerous situations in question;
- road traffic signs in force are used to regulate internal works traffic.

80. At its meeting on 28 October 1977 the Council took note of the first progress report issued by the Advisory Committee on Safety, Hygiene and Health Protection at Work, and of the comments submitted by the delegations.

(b) Relief of poverty

81. At its meeting on 12 December 1977 the Council adopted Decision 77/779/EEC amending Decision 75/458/EEC concerning a programme of pilot schemes and studies to combat poverty.² This amendment enables the Community to continue granting financial assistance until 1980 to schemes currently in progress, and provides for the possibility of financial assistance to new projects.

82. At its meeting on 28 October 1977 the Council took note of the report on the programme of schemes to combat poverty submitted by the Commission, and of the comments of the delegations.

¹ OJ L 229 of 7. 9. 1977.

² OJ L 322 of 17. 12. 1977.

4. MIGRANT WORKERS

(a) Social security

83. At its meeting on 21 November 1977 the Council adopted Regulation (EEC) No 2595/77 amending Regulations (EEC) No 1408/71 and (EEC) No 574/72 on the application of social security schemes to employed persons and their families moving within the Community.¹

Firstly, this amendment allows a worker who is receiving a pension under the legislation of one Member State, while working in the territory of another Member State, to be insured under the legislation of the latter Member State even if the legislation of that State exempts pensioners from compulsory insurance. Workers are also enabled to receive, without any restrictions, a pension acquired under the legislation of one Member State and to have a pension which was awarded under the legislation of another Member State postponed in order to receive the increase in pension due as a result of that postponement.

The amending Regulation is also intended to improve the situation regarding sickness and maternity insurance benefits for the members of the family of a migrant worker who are staying in a Member State other than the Member State of residence.

In addition the amendment regulates the award of invalidity benefits in cases where a worker previously subject to legislation based on the materialization of the risk is subject to legislation based on the length of insurance, under which he becomes disabled, and where under the former legislation the award of invalidity benefits is subject to the condition that for a specified period the worker has previously received cash sickness benefits or has previously been incapable of work.

(b) Schooling for the children of migrant workers

84. At its meeting on 25 July 1977 the Council adopted Directive 77/486/EEC on the education of the children of migrant workers.²

¹ OJ L 302 of 26. 11. 1977.

² OJ L 199 of 6. 8. 1977.

This Directive applies to children for whom school attendance is compulsory and who are dependants of any worker who is a national of another Member State, where such children are resident in the territory of the Member State in which that national carries on or has carried on an activity as an employed person.

It lays down that Member States must, in accordance with their national circumstances and legal systems, take appropriate measures to ensure that free tuition to facilitate initial reception is offered in their territory to the children referred to above, including, in particular, the teaching – adapted to the specific needs of such children – of the official language or one of the official languages of the host State.

In addition, Member States are obliged, in accordance with their national circumstances and legal systems, and in cooperation with States of origin, to take appropriate measures to promote, in coordination with normal education, teaching of the mother tongue and culture of the country of origin for the children referred to above.

5. SURVEYS AND STATISTICS

85. At its meeting on 25 April 1977 the Council Adopted Regulation (EEC) No 847/77 relating to the organization of a survey in 1977, 1978 and 1979 on the earnings of permanent workers employed in agriculture.¹

This Regulation provides for a repetition of the survey undertaken in previous years and lays down that the Commission must undertake a survey of the actual earnings of permanent workers employed in agriculture on the basis of statistical data relating to September, October or November.

6. AIDS WITHIN THE ECSC

(a) *Aids for the conversion of industry*

86. Under Article 56 (2) a of the ECSC Treaty the Commission requested the Council to give its assent in several cases so that the Commission could facilitate the productive re-employment of the

¹ OJ L 104 of 28. 4. 1977.

manpower made available where coal and iron and steel undertakings have permanently discontinued, curtailed or changed their activities.

The Council replied favourably to the Commission's requests and at its meetings in February, July and December 1977 gave its assent, thus allowing the Commission to grant a loan of 23.6 million u.a. to SAVIEM (Société anonyme de véhicules industriels et d'équipements mécaniques); 1.8 million u.a. to Sommer Allibert S.A., France; 0.358 million EUC to Luchaire S.A., France; 3.58 million EUC to Rockwool-Isolation S.A., France; and 7.8 million EUC to Country Produce Ltd, United Kingdom.

(b) *Aids for the erection, modernization and purchase of housing for persons employed in the industries of the ECSC*

87. In addition, under Article 54, paragraph 2, of the ECSC Treaty the Commission requested the Council's assent to enable it to grant – from the second instalment of the 8th programme of financial aid for the construction, modernization and purchase of housing for persons employed in the industries of the ECSC¹ – loans totalling 120 million u.a., of which 30 million u.a. would be drawn from own resources and 90 million u.a. raised on the capital markets.

The Council replied favourably to this request and gave its assent on 18 July 1977.

7. RELATIONS WITH MANAGEMENT AND LABOUR ORGANIZATIONS

(a) *Standing Committee on Employment*

88. The Standing Committee on Employment held its eleventh meeting on 5 May 1977 in Brussels under the chairmanship of Mr Booth, United Kingdom Secretary of State for Employment. The proceedings of the meeting concerned employment prospects in the Community up to 1980, reform of the European Social Fund and the Commission's communication on coordinating the Community's financial instruments.

89. The Committee held its twelfth meeting on 24 November 1977 in Brussels under the chairmanship of Mr Spitaels, Belgian Minister for

¹ For the first instalment of the 8th programme see 23rd Review, paragraph 102.

Employment and Labour. The proceedings of the meeting concerned the employment of young persons.

(b) *European Trade Union Institute*

90. At its meeting on 28 June 1977 the Council took note of the Commission's report on the establishment of the European Trade Union Institute. It confirmed its interest in the setting up of the Institute and stressed the importance of enabling trade unions organized at Community level to make an increasing contribution towards European development. It considered that the project could further this aim to an appreciable extent and expressed the intention of taking a decision on the relations between the Community and the Institute as soon as possible after examination of the technical and other aspects.

C – Regional policy

91. Under the terms of Articles 2 and 18 of Council Regulation No 724/75 of 18 March 1975 setting up a European Regional Development Fund,¹ on 3 June 1977 the Commission submitted to the Council a communication and proposals concerning the Community's regional policy and the European Regional Development Fund.

The Commission's communication proposes that regional policy be comprehensive and specifies the action to be taken under this policy. The main innovation proposed is that the Community itself should take action which, together with the present policy of supporting regional measures by the Member States designed mainly to eliminate existing regional imbalances, would deal with the fresh problems arising from the present economic and social situation in the Community, or the problems which might arise as a result of policy measures adopted by the Community.

This communication was accompanied by a proposal for the amendment of Council Regulation No 724/75 which sought to make considerable changes regarding budgetary procedure and the creation of a non-quota section to enable the Community to provide specific aids, and technical amendments intended to rationalize and accelerate the

¹ OJ L 73 of 21. 3. 1975.

procedures for managing the Regional Fund. It was accompanied in addition by a proposal for a Decision amending the Decisions concerning the convergence of economic policies and the establishment of the Regional Policy Committee.

The Commission also submitted to the Council a brief draft Resolution, to give form and substance to the guidelines in the communication.

Lastly, the Council made an entry in the draft budget for 1978 of 750 million EUC in commitment appropriations and 580 million EUC in payment appropriations for the Fund.

The Commission's communication together with all the important proposals involved were examined by the Council departments during the second half of 1977, by the Council itself at its meetings on 22 November and 20 December, and by the European Council on 6 December 1977. A number of major problems were resolved.

92. Negotiations on the allocation of appropriations to the Fund, for which the European Council drew up a three-year programme,¹ were undertaken by the Council and Parliament, the two bodies which share control over the budget. As a result of these negotiations Parliament established 581 million EUC in commitment appropriations and 525 million EUC in payment appropriations.

93. Work on the regulations involved will recommence at the beginning of 1978 so that a final decision can be reached as soon as possible on regional policy in general and the amendments to be made to the European Regional Development Fund.

D – Energy

1. DRAFTING A COMMUNITY ENERGY POLICY

(a) *The energy situation*

94. On 25 February 1977 the Commission submitted to the Council a communication on the energy situation in the Community. The

¹ 580 million EUC for 1978, 620 million EUC for 1979 and 650 million EUC for 1980, totalling 1 850 million EUC.

exchange of views at the Council meeting of 29 March 1977 on this communication revealed a wide measure of agreement among the delegations on the necessity of taking appropriate steps as soon as possible to deal with the problems caused by the current energy situation. The Council recognized the need for a twice-yearly exchange of views on these problems, primarily with a view to determining priorities, and for a debate at its meeting in June 1977 on the special problems in the nuclear field – in particular the fuel cycle. At the end of its discussions on this point the Council asked the Commission to continue its examination of the problems mentioned in its communication to the Council, in the light of the exchange of views at the Council's meeting.

95. The Council took note of the progress made on the various items in the work programme for 1977 approved on 21 December 1976,¹ and on 14 June 1977 stressed the importance attached to this work on the basis of a phased work schedule on which a progress report should be made to the Council at each of its meetings. It was agreed that the examination of both the worldwide and the Community energy situation should in future be included in the agenda of each meeting on energy. In accordance with this decision, on 13 December 1977 the Council undertook the examination suggested, on the basis of a brief communication from the Commission on the energy situation.

(b) *The objectives of the Community energy policy*

96. When adopting its Resolution of 17 December 1974 on the Community energy policy objectives for 1985 the Council has asked the Commission to make regular progress reports on the attainment of these objectives. The second report, submitted by the Commission to the Council on 3 August 1977 and concerned with the attainment of the Community energy programme objectives for 1985, was based on the energy programmes of the Member States as drawn up in the middle of the first half of 1977. This report was accompanied by a draft Resolution on its main conclusions and was examined by the Council at its meeting on 13 December 1977. The Council took note of the report and confirmed its wish to reduce the Community's dependence on imported energy to 50 % by 1985, and to reduce appreciably by that date the proportion of oil in the Community's energy consumption. The Council also approved the objective of reducing the relation between the rate of

¹ See 24th Review, paragraph 86.

increase of energy consumption and the rate of increase of economic activity to an average 0.8 over the whole Community by 1985.

This represents a considerable reduction on the present figure. Lastly, the Council instructed the Permanent Representatives Committee to carry out the preparatory work, taking account of the objectives mentioned above, on those items in the draft Resolution which were still not settled, with a view to enabling the Council to adopt the Resolution at its next meeting on energy matters.

(c) *Work programme for 1978*

97. On 13 December 1977 the Council agreed on the following text of the Community work programme for 1978,¹ and asked the Commission to submit the related proposals and communications as soon as possible:

1. Energy situation in the Community and world-wide.
2. Examination of national programmes and Community objectives for 1990.
3. Rational use of energy including, *inter alia*:
 - (a) modernization of existing buildings;
 - (b) aid to demonstration projects in the field of energy saving.
4. Energy prices.
5. Promotion and protection of investments including in particular:
 - (a) development and protection of energy investments;
 - (b) guaranteed minimum price for energy produced in the Community.
6. Community coal policy.
7. Community oil-refining policy.
8. Strategic stocks of crude oil and/or petroleum products including, *inter alia*:
 - (a) joint stocks;
 - (b) creation of organizations responsible for storage;
 - (c) compensation for reserves of indigenous oil.

¹ Irrespective of other items in the 1977 work programme, examination of which could not be completed at the Council meeting on 13 December 1977, on energy questions.

9. Support for joint hydrocarbons exploration projects.
10. Support for projects for exploiting alternative sources of energy including *inter alia*:
 - (a) gasification and liquefaction of coal;
 - (b) geothermics;
 - (c) other sources.
11. Support for Community technological development projects in the hydrocarbons sector:
 - allocation of the 4th round of subsidies pursuant to Regulation No 3056/73/EEC.¹
12. Nuclear problems including, *inter alia*:
 - (a) reprocessing of irradiated fuels;
 - (b) fast-breeder option;
 - (c) radioactive wastes.
13. Community action on the siting of power-stations.

(d) *Energy prices*

98. The work programme for 1977, drawn up by the Council on 21 December 1976, included a study of energy prices. On 6 October 1977 the Commission submitted to the Council a working document showing what work was being done in this field and the guidelines which it proposed to adopt in doing this work. Following the exchange of views on this subject on 13 December 1977, the Council stressed the importance of energy prices from the economic and social viewpoint, particularly with regard to inflation and incomes policy. The Commission was accordingly requested to continue its analyses, in cooperation with the experts from the different Member States, of the effect of prices on returns from investments and on energy consumption, and also its study of the possibility of ensuring better use of various fuels by adjusting their relative prices.

(e) *Rational utilization of energy*

99. On 25 February 1977 the Commission submitted to the Council a communication on intensifying the rational use of energy programme (RUE). On 21 January 1977 the French delegation also submitted a

¹ OJ L 312 of 13. 11. 1973.

memorandum to the Council on energy saving. Following the exchange of views based on these documents, on 29 March 1977 the Council asked the Energy Committee shortly to hold a meeting devoted exclusively to energy saving so as to give political impetus to work in this field and requested the Commission to submit concrete proposals on energy saving as soon as possible.

In response the Commission submitted to the Council the following documents:

- On 27 May 1977 a second series of proposals for legislation comprising a proposal for a Directive and three draft recommendations.

On 25 October 1977 the Council adopted these three recommendations, which concerned energy saving in new buildings, in industrial undertakings and combined heat and power production.¹

The proposal for a Council Directive on the performance, regulation and inspection of heat generators, and on insulating the heat distribution network in new buildings, was approved in principle by the Council on 13 December 1977.

- On 31 May 1977, a proposal for a Council Directive on energy savings from the modernization of existing buildings. This proposal is being studied by the Council.
- On 31 May 1977, a proposal for a Council Regulation on the granting of financial aids to demonstration projects in the field of energy saving. On 25 October 1977 the Council laid down certain guidelines for examining this proposal, and at its meeting on 13 December 1977 examined the procedure for selecting projects which warranted Community support. Following its examination the Council instructed the Permanent Representatives Committee to consider this proposal, to finalize, if necessary, the procedure for selecting projects to be supported and to submit a report to the Council as soon as possible.

(f) *Protection and promotion of energy investments*

100. On 29 March 1977 the Council asked the Commission to examine all the measures, including the minimum safeguard price

¹ OJ L 295 of 18. 11. 1977.

(MSP), which could be taken to ensure the protection and promotion of energy investments, and to submit its conclusions to the Council. In response the Commission submitted to the Council the following documents:

- On 1 June 1977, a communication containing the Commission's initial reflections on the development and protection of energy investments in the Community;
- on 31 May 1977 a working document from the Commission departments entitled 'Guaranteed minimum price for energy produced in the Community';
- on 31 May 1977, a proposal for a Council Regulation on granting financial support for projects involving the use of alternative energy sources.

These documents and proposals are being examined within the Council. On 13 December 1977 the Council took note of the interim report of the Permanent Representatives Committee on the proposal for a Regulation mentioned above, and instructed the Committee to continue its examination of the proposal so that it may be approved as soon as possible.

2. PROBLEMS SPECIFIC TO THE DIFFERENT ENERGY SECTORS

(a) Coal

(i) Situation in the common market in coal

101. On 25 February 1977 the Commission submitted to the Council a communication on the situation in the common market in coal. Following the exchange of views on this communication at the Council's meetings on 29 March 1977 and 14 June 1977, on 27 July 1977 the Commission submitted to the Council a draft Decision concerning Community surveillance of imports of coal originating in third countries. The representatives of the ECSC Member States signified their agreement in principle to this Decision at the Council meeting on 25 October 1977, and, meeting within the Council, adopted the final Decision on 7 November 1977.

- (ii) Community system of financial measures by the Member States to assist the coal-mining industry (Commission Decision 528/76/ECSC of 25 February 1976)¹

102. On 14 June 1977 the Council granted the consultation which the Commission had requested on 18 April 1977 on the financial measures taken by the Member States to assist the coal-mining industry in 1976.²

In addition, on 19 December 1977 the Council granted the consultation requested by the Commission on 17 November 1977 on the financial measures taken by the Member States to assist the coal-mining industry in 1977.³

- (iii) System for coal and coke for the iron and steel industry in the Community

103. On 29 March 1977 the Council acting unanimously delivered its assent, as requested by the Commission, to the extension until 1981 of the present system for coal and coke for the iron and steel industry in the Community (Decision 73/287/ECSC of 25 July 1973).⁴

It also agreed to review before the end of 1979 the system applicable in 1980 and 1981, without prejudice to the question of the phased reduction in aids for these two years.

104. On 26 July 1977 the Council granted the consultation requested by the Commission on a draft Commission Decision amending Decision 3544/73/ECSC applying Decision 73/287/ECSC.⁵

- (iv) Investment aid

105. On 8 February 1977 the Council delivered the assent requested by the Commission to enable it to grant a loan for the partial financing of the purchase of the shares of the mining company Red Ash Sales Company Inc., West Virginia (USA) and the partial financing of the planned investment of the German company Gewerkschaft Norbert Metz.⁶

¹ OJ L 63 of 11. 3. 1976.

² OJ C 147 of 23. 6. 1977.

³ OJ C 316 of 31. 12. 1977.

⁴ OJ L 259 of 15. 9. 1973.

⁵ OJ C 193 of 12. 8. 1977.

⁶ OJ C 41 of 18. 2. 1977.

On 19 December 1977 the Council delivered the assent requested by the Commission enabling it to grant a loan to finance the construction of a 700 MW coal-fired power-station in Bergkamen by STEAG Aktiengesellschaft.¹

(v) Community financial aid

106. On 31 December 1976 the Commission submitted to the Council a proposal for a Regulation on a system of Community financial aid to encourage the use of coal in electric power-stations. On 18 March 1977 the Commission submitted to the Council a proposal for a Regulation on a system of Community aids to finance stocks of coal, coke and patent fuel on a short-term basis.

Both these proposals were examined at the Council's meetings on 14 June 1977, 25 October 1977 and 13 December 1977. The Council instructed the Permanent Representatives Committee to continue this examination with a view to resuming the discussion at the next Council meeting on energy.

Since it had not proved possible to reach agreement in principle on these two proposals, the Council also requested the Commission to continue its studies of problems connected with the coal industry in the light of the Council's debates and, if possible, to make appropriate suggestions to be examined at the next Council meeting on energy.

107. Lastly, on 13 December 1977 the Council took note of two memoranda on coal policy in the Community which a delegation composed of producers and workers had submitted on 8 December 1977 to the President of the Council.

(b) *Hydrocarbons*

108. On 6 May 1977 the Commission submitted to the Council two proposals for a Directive on joint stocks of crude oil and petroleum products and on the creation of organizations responsible for storage.

These proposals are being examined within the Council.

109. Acting on a proposal from the Commission, on 25 October 1977 the Council decided to grant support over the period 1975–1977 to 40

¹ OJ C 316 of 31. 12. 1977.

Community projects in the hydrocarbons sector, up to a maximum of 53 408 611 u.a., in the form of subsidies which would be repayable if the results proved commercially viable.

110. With a view to establishing genuine solidarity between the Member States in the event of difficulties in the supply of crude oil and petroleum products, on 14 February 1977 the Council, acting on a proposal from the Commission, adopted a Decision on the exporting of crude oil and petroleum products from one Member State to another in the event of supply difficulties¹ and, on 7 November 1977, a Decision laying down the conditions for setting a Community target for a reduction in the consumption of primary sources of energy in the event of supply difficulties.²

111. On 22 March 1977, at the request of the Council, the Commission submitted a communication suggesting guidelines for a Community approach to the problems of refining in the Community. In addition, on 15 February, 8 March and 19 March the Italian, French and Netherlands delegations respectively submitted memoranda on this point to the Council.

Following an exchange of views on these refining problems at its meeting on 14 June, 25 October and 13 December 1977, the Council took note of the Commission's intention to monitor the situation in this field on the basis of current regulations and to submit to the Energy Committee, for its meeting on 30 January 1978, an overall report on the situation in the refining sector in the Community – including the problem of imports – together with proposals designed to resolve the problems in this sector.

112. On 27 October 1977 the Commission submitted to the Council a proposal for a Regulation on supporting joint projects for prospecting for hydrocarbons, which amended its initial proposal in this field dated 25 November 1974, together with a proposal on the application of the amended text.

On 13 December 1977 the Council took note of the interim report from the Permanent Representatives Committee on this point, and instructed the Committee to continue its examination of the proposals for Regulations with a view to their approval as soon as possible.

¹ OJ L 61 of 5. 3. 1977.

² OJ L 292 of 16. 11. 1977.

(c) *Nuclear energy*

- (i) Community guidelines on reprocessing, radioactive waste management and fast-breeder reactors.

113. Following an initial debate on general policy within the Council at its meeting on 14 June 1977 on the various problems connected with the development of nuclear energy, on 20 July and 2 August 1977 the Commission submitted three communications to the Council on the following topics:

- principles of Community strategy on the reprocessing of irradiated nuclear fuels and a draft Council Decision on the setting up of an *ad hoc* committee on fuel reprocessing;
- the fast-breeder reactor option in the Community context, justification, achievements, problems and future action;
- Community action plan on radioactive waste.

These communications are being examined within the Council.

(ii) Euratom-IAEA relations

114. Following the entry into force of the Verification Agreement concluded between seven Member States, Euratom and the IAEA, and signed on 21 February 1977, at its meeting on 20 September 1977 the Council formulated a number of principles to be applied to the inspection procedures which the Commission and the IAEA are to draw up in detail for each nuclear facility ('Annexes relating to facilities').

(iii) International Convention on the physical protection of nuclear material

115. On 21 October 1977 the Commission submitted to the Council a communication on the International Convention on the physical protection of nuclear material, which is being drawn up under the aegis of the IAEA. This communication is at present being examined by the Council departments.

(iv) Safeguards Agreement between Euratom, France and the IAEA

116. On 21 November 1977 the Council signified its agreement to a draft Council Decision giving guidelines to the Commission for the

negotiation of a Safeguards Agreement between Euratom, France and the IAEA.

(v) Euratom/Canada Agreement

117. Following the interim guidelines which the Council had given to the Commission on 30 June 1976 for negotiating one or more exchanges of letters to supplement or interpret existing provisions of the Euratom-Canada Agreement in the field of safeguards,¹ on 31 May 1977 the Commission submitted to the Council a communication accompanied by a draft exchange of letters negotiated in accordance with these guidelines. At its meetings on 21 June and 25-26 July 1977, the Council gave the Commission a certain number of guidelines for continuing negotiations with Canada on safeguards. At its meeting on 19-20 December 1977 the Council approved the conclusion of the exchange of letters as given in a communication submitted by the Commission dated 15 December 1977.

(vi) International nuclear fuel cycle evaluation (INFCE)

118. On 20 September 1977 the Council took note that the Commission was expecting an invitation to attend a preparatory meeting for the organization of the INFCE, which it intended to accept. During the proceedings of the INFCE consultations would be held between the Member States and the Commission whenever necessary. The Council and the Commission would decide whether developments in the programme justified this.

(vii) Euratom/United States Agreement

119. On 28 October 1977 the Commission communicated to the Council, for information, the text of a Note Verbale which the United States Mission to the European Communities addressed to the Commission on the renegotiation of the Euratom/United States Agreements taking account of the new American law on non-proliferation.

¹ See 24th Review, paragraph 103.

(d) *Siting of power-stations*

120. In connection with the 1977 work programme previously drawn up by the Council, on 13 December 1976 the Commission submitted to the Council a communication on Community action on the siting of power-stations, accompanied by a draft Council Resolution on consultation at Community level on the siting of power-stations and a proposal for a Regulation on the establishment of a Community consultation procedure for power-stations which might affect the territory of another Member State.

This communication is being examined within the Council.

E – Industry

INDUSTRIAL POLICY

121. In the data-processing sector the Council followed up its Resolution of 15 July 1974 on a Community policy on data processing¹ by adopting on 26 September 1977 a new set of joint data-processing projects.²

These projects concern:

- a series of studies in the field of software portability with the aim of developing portable software, i.e. software which can be used on different types of equipment in order to make the use of computers less dependent on their make and to reduce conversion costs;
- a series of studies in the field of utilization methods and data protection aimed at ensuring data security and confidentiality, improvement of programming techniques and better utilization and management of data bases;
- an experimental project in high-speed data-transmission techniques, which will include a series of experiments on data communication between the European Organization for Nuclear Research (CERN) and various European laboratories, using the satellite designed by the European Space Agency (ESA);

¹ OJ C 86 of 20. 7. 1974.

² OJ L 255 of 6.10 1977.

- a study of systems for processing data on imports and exports with a view to determining in the long term the conditions required to ensure in the management of the customs union and the common agricultural policy rapid communication and processing of data on imports and exports;
- a number of exploratory studies with the object of defining projects of Community interest in the medium term.

The Commission's proposal for a four-year data-processing development programme within the Community is at present being studied by the Council departments.

122. In the sphere of air transport the Council examined the Commission's communication of 3 October 1975 on an action programme for European air transport, and in particular the aspects relating to the establishment of a common civil aircraft transport programme. On completion of its examination on 14 March 1977 a statement was issued on the implementation of Community policy in the aeronautical sector.¹ In this statement the Council laid down seven specific objectives concerning consultation and coordination between Member States in this field, stressing in particular the need for cooperation among European manufacturers if viable and competitive programmes were to be launched.

123. In the shipbuilding sector coordination meetings were held throughout the year to define the Community's common standpoint within the framework of the OECD on the problems affecting this sector.

124. As regards statistics, after examining the Statistical Programme of the European Communities for 1977–1979 submitted by the Commission, on 18 July 1977 the Council issued a statement in which it signified its agreement in principle on the main items in this programme, without prejudice to the specific standpoints which might be adopted regarding the various projects.

In addition, on 19 December 1977, the Council adopted a Regulation amending Regulation (EEC) No 1736/75 on the external trade statistics of the Community and statistics of trade between Member States² in respect of the statistical threshold. On the same date

¹ OJ C 69 of 19. 3. 1977.

² OJ L 329 of 22. 12. 1977.

it adopted a Regulation derogating in favour of Denmark from Regulation (EEC) No 1445/72¹ concerning the nomenclature of goods for the external trade statistics of the Community and statistics of trade between Member States (NIMEXE).²

F – Transport

125. The Council held special meetings on transport matters on 28 and 29 June, 27 October and 20 and 21 December 1977.

1. DEVELOPMENT OF THE COMMON TRANSPORT POLICY

126. On 28 and 29 June the Council held an exchange of views on the objectives and priorities of the common transport policy, on the basis of the memorandum from the Presidency and other documents submitted by the Belgian, Danish, German and Italian governments.

127. On 20 and 21 December the Council took note of a Commission communication on the priorities for the Council's work programme up to the end of 1980 and stated that it would endeavour to take these into account to the maximum possible extent in its future activities.

128. The Council took note of the proposal for a Decision seeking to delete Article 15 of Decision 65/271/EEC,³ under which the Commission was required to submit a report to the Council every two years on the implementation of the Decision relating to the harmonization of certain provisions which affect competition in this field. The Council stated that it was not appropriate to take action on the proposal at this stage.

2. ORGANIZATION OF THE MARKET IN GOODS TRANSPORT BY NAVIGABLE WATERWAY

(a) *Procedure for the temporary laying-up of vessels used for goods transport*

129. Following an opinion from the Court of Justice which revealed certain incompatibilities between the text of the Agreement negotiated

¹ OJ L 161 of 17. 7. 1972.

² OJ L 329.

³ OJ 65 of 24. 5. 1965.

by the Commission with Switzerland and the Treaty, the Commission withdrew its proposal concerning the conclusion and implementation of the Agreement on the temporary laying-up of vessels. It then submitted to the Council a proposal for a Decision amending the Directives on the negotiation of this Agreement with a view to reopening negotiations to amend the draft Agreement as necessary in order to make it compatible with the Treaty. The Council signified its agreement to this Decision on 20 and 21 December 1977.

(b) *Admission to the occupation of navigable waterway transport operator*

130. The Council departments continued their examination of this proposal for a Directive which followed the same pattern as the Directives relating to road transport and haulage.

(c) *Reference tariffs for goods transport by inland waterway*

131. The Council departments began their examination of the proposal for a Regulation on a system of reference tariffs for goods transport by inland waterway between Member States.

These reference tariffs would not materially alter the present situation based on freedom to fix rates, but it would give operators and the public authorities a basis for estimating data and useful information on the organization of the market.

(d) *Social harmonization in the sphere of transport by navigable waterway*

132. The Council departments continued their examination of the proposal for a Regulation on the harmonization of certain provisions on social matters in the sphere of goods transport by navigable waterway.

3. ORGANIZATION OF THE ROAD TRANSPORT MARKET

(a) *Fixing rates for the international carriage of goods*

133. The Council gave its assent to a Regulation on the fixing of rates for the carriage of goods by road between Member States. The

Regulation was to enter into force as from 1 January 1978¹ for an experimental period of five years at the end of which the Council, acting on a proposal from the Commission, would decide on the subsequent system to be applied.

This Regulation provides for a system based on either reference or compulsory tariffs. The Member States concerned must decide by mutual agreement on the application of one or other of the tariff systems, taking particular account of the economic and technical conditions of the transport market concerned.

Subject to compliance with this principle, the Member States may maintain compulsory tariffs where such tariffs have been applied pursuant to a Community Regulation. They may also introduce reference tariffs where no Community tariff rules have been applied.

(b) *Community quota*

134. The Council adopted, in all the Community languages, the Regulation amending the Community quota for the carriage of goods by road between Member States.² This decision brings the total number of authorizations to 2 835, which represents a linear increase of 20 % on the number of authorizations previously granted.

The Council agreed on a specimen logbook which was a simplified version of the previous one, and it also agreed to provide further Community funds for the work of consolidating and storing on magnetic tape the information which the transport firms enter in these logbooks for checking and statistical purposes.

(c) *Common rules for certain types of carriage of goods between Member States*

135. The Council gave its assent to the Directive amending the first Council Directive on the establishment of common rules for certain types of carriage of goods by road between Member States.³

In making this decision the Council agreed to increase from 50 km to 100 km the total distance as the crow flies over which frontier traffic is liberalized.

¹ OJ L 334 of 24. 12. 1977.

² OJ L 358 of 31. 12. 1977.

³ OJ L 54 of 25. 2. 1978.

It also agreed to provide for liberalizing the carriage of vehicles which have suffered breakdown (carriage of damaged vehicles was liberalized in 1962) and also carriage of spare parts for aircraft.

(d) *Regular services by coach and bus*

136. The Council gave its assent to a Regulation amending Council Regulation (EEC) No 517/72¹ on the introduction of common rules for regular and special regular services by coach and bus between Member States.² This amendment allows Member States to simplify, by mutual agreement, the administrative formalities concerning regular services by coach and bus between ports where there is a regular sea transport service.

(e) *Negotiations with third countries on the carriage of passengers by road*

137. The Council gave its assent to the Decision amending the Directives for negotiation between the European Economic Community and third countries which are members of the European Conference of Ministers of Transport (ECMT) on the rules applicable to international occasional passenger services by coach and bus.

The object of this Decision is to enable negotiations to be concluded between the Community, Austria, Finland, Greece, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and Yugoslavia, which are all members of the ECMT.

4. HARMONIZATION OF CONDITIONS OF COMPETITION IN THE SPHERE OF ROAD TRANSPORT

(a) *Social harmonization in the sphere of road transport*

138. The Council gave its assent to a Regulation amending Regulation (EEC) No 543/69³ on the harmonization of certain social legislation relating to road transport.⁴ The Council gave its assent to a compromise text embodying three proposals for Regulations on this matter.

¹ OJ L 67 of 20. 3. 1972.

² OJ L 358 of 31. 12. 1977.

³ OJ L 77 of 29. 3. 1969.

⁴ OJ L 334 of 24. 12. 1977.

The main items in the Council's decision on amendments to the social legislation are as follows:

- where the vehicle is fitted with a tachograph, the rule that drivers of certain vehicles covering distances exceeding 450 km per day must work in conjunction with another driver is abolished;
- the weekly rest period is increased to 29 hours, although it may be reduced to 24 hours provided that a rest period equivalent to the reduction is granted during the same week;
- certain types of payment, such as bonuses or wage supplements related to distances travelled and/or the amount of goods carried, which might endanger road safety are prohibited;
- a special system is introduced applicable to rest periods taken on ferry-boats or trains;
- exemptions from the Community regulations may be made for individual Member States.

(b) *The tachograph*

139. The Council gave its assent to a Regulation amending Council Regulation (EEC) No 1463/70 of 20 July 1970¹ on the introduction of recording equipment in road transport (the tachograph).²

The main items in this Regulation are as follows:

- the date laid down in Article 4 (2) of Regulation (EEC) No 1463/70 for the installation and use of a tachograph on vehicles covered by this paragraph for domestic carriage of goods other than dangerous goods within a radius of 50 km of the vehicle's depot, or effected by vehicles with a maximum authorized weight of not more than 6 tonnes or a payload of not more than 3.5 tonnes, is postponed from 1 January 1978 to 1 July 1979;
- the technical provisions of the Regulation on the tachograph are amended, and a procedure established for adapting the Regulation to technical progress.

¹ OJ L 164 of 27. 7. 1970.

² OJ L 334 of 24. 12. 1977.

(c) *AETR*

140. The Council gave its assent to a Regulation on the bringing into force of the European Agreement concerning the work of crews of vehicles engaged in international road transport (AETR).¹

This Regulation provides for the ratification of or accession to the AETR by the Member States on behalf of the Community.

(d) *Adjustment of national taxation system covering commercial vehicles*

141. The Council departments continued their work on this proposal for a Directive, submitted to the Council in 1968. The progress made would seem to indicate that a solution to the problem may well be reached by the Council in the foreseeable future.

On 20 and 21 December the Council took note of the progress made on this subject and agreed to resume its discussions on the basis of a compromise worked out by the Presidency and to make a decision by the end of June 1978 at one of its future meetings.

(e) *Driving licence*

142. The Council gave its assent in principle to the introduction of a Community driving licence. To this end the Permanent Representatives Committee was instructed to examine the Commission's proposal on the harmonization of legislation on road vehicle driving licences, and a compromise proposal from the Presidency; priority to be given to mutual recognition of national driving licences and the provision of a Community model for national driving licences so as to enable the Council to make a decision at its next meeting.

5. RIGHT OF ESTABLISHMENT IN THE ROAD TRANSPORT SECTOR

143. The Council gave its assent to a Directive on the mutual recognition of diplomas, certificates and other evidence of formal qualifications for goods haulage operators and road passenger

¹ OJ L 334 of 24. 12. 1977.

transport operators, including measures intended to encourage these operators effectively to exercise their right to freedom of establishment.¹

The aim of this Directive is to ensure that qualifications as passenger transport and goods haulage operators issued to its nationals by the competent authorities in a Member State are valid in the other Member States of the Community. The relevant certificates will make reference to the good repute and financial standing as well as the professional competence of the operators.

The adoption of this Directive will make it easier to exercise effective freedom of establishment in the road transport sector as regards the activities subject to the provisions covered by the two Council Directives of 12 November 1974 concerning admission to the occupation concerned (Directives 74/561/EEC² and 74/562/EEC).

6. RAIL TRANSPORT

(a) *Determination of international railway tariffs*

144. The Council departments began their examination of the proposal for a Regulation on the determination of international railway tariffs for freight.

(b) *Comparability between the accounting systems of railway undertakings*

145. The Council gave its assent to a Regulation on the measures necessary to achieve comparability between the accounting systems and annual accounts of railway undertakings.¹

The proposal for this Regulation was based on Article 8 of the Decision of 20 May 1975.³ It lays down a standard form for the annual accounts, i.e. the balance-sheet and the profit and loss account, to which railway undertakings must transpose their annual results using nomenclatures which specify what the various items cover.

¹ OJ L 334 of 24. 12. 1977.

² OJ L 308 of 19. 11. 1974.

³ OJ L 152 of 12. 6. 1975.

These forms are to be used for the first time for the 1977 accounts, and explanatory notes will be added to clarify them.

An Advisory Committee will be set up by the Commission to assist in implementing the provisions of this Regulation by giving opinions on problems and possible solutions connected with improving the comparability of the accounting systems of railway undertakings.

7. TRANSPORT INFRASTRUCTURE

146. The Council gave its assent to the institution of a consultation procedure and the setting up of a committee in the field of transport infrastructure.¹

This procedure will replace that provided for by the Council Decision of 28 February 1966,² by expanding the scope of the consultation in this field to cover plans and programmes and making it possible to deal with a number of basic questions concerned with assessing Community interest, i.e. the examination of criteria governing the best choice of investment, the integration of the objectives of the common transport policy with those of other Community policies, and the study of future transport requirements.

The Proposal for a Decision mentioned above defines the concept of Community interest, extends the communication to plans and programmes which are of interest in order to assess projects of Community interest, and, lastly, lays down that projects may be notified as soon as they are sufficiently identifiable. Since the legal basis is Article 75 of the EEC Treaty, the only projects involved are those concerning road, inland waterway and rail transport.

8. MARITIME TRANSPORT

(a) *Convention establishing a Code of Conduct for Liner Conferences*

147. The Council took note of a new proposal by the Commission for a Council Regulation on signing the Convention establishing a Code of Conduct for Liner Conferences. This proposal cancels and replaces the

¹ OJ L 54 of 25. 2. 1978.

² OJ 62 of 8. 3. 1966.

proposals which the Commission submitted on 17 July 1974, 17 March and 18 June 1975, but which were not adopted by the Council.

The Council instructed the Permanent Representatives Committee to examine the latest proposal and to report in time to permit a decision to be made by the end of June 1978.

(b) *Consultation procedure*

148. On 13 September 1977 the Council formally adopted a Decision setting up a consultation procedure on relations between Member States and third countries in shipping matters and on action relating to such matters in international organizations.¹ This consultation procedure constitutes the first formal step in shipping matters, and is the first Community action undertaken under Article 84 (2) of the EEC Treaty.

(c) *Safety of maritime transport*

149. The Council also held an exchange of views on the French memorandum on the instigation of Community action regarding the safety of maritime transport, and the statement of the French Minister who submitted it. The Council instructed the Commission to make proposals on minimum safety standards in this field by the end of the year.

(d) *Maritime policy of State-trading countries*

150. On 27 October the Council held an exchange of views on a working document produced by the Commission departments on this matter. It recognized the need to organize action at Community level on the problems arising in the field of maritime transport in connection with the State-trading countries, and instructed the Permanent Representatives Committee to examine this working document and draw up a list of priorities for action.

¹ OJ L 239 of 17. 9. 1977.

9. AIR TRANSPORT

(a) General policy

151. At its meeting on 28 and 29 June 1977 the Council decided to examine the advisability of joint action in the field of air transport.

The following terms of reference were drawn up accordingly:

- '1. to identify, in the air transport sector, the fields of government activity which would benefit from being examined as soon as possible in the Community context and to draw up a list of priorities regarding the matters to be studied;
- '2. where appropriate, to consider what provisions might be drawn up in the sphere of air transport by the Council under Article 84 (2) of the Treaty of Rome;
- '3. to examine what subjects the Council might instruct the Commission to study in relation to paragraphs 1 and 2 above, and also to the application of the general provisions of the Treaty to air transport.'

At the request of the Council the Permanent Representatives Committee assigned these terms of reference to the Working Party on Transport Questions which was specially set up to study air transport questions.

At its meeting on 27 October 1977 the Council took note of a verbal report by the Presidency on the proceedings of the Working Party in this field.

(b) Terrorism

152. At this same meeting, acting on a proposal from the Presidency, the Ministers for Transport meeting within the Council adopted a Resolution condemning air piracy and terrorism. They instructed an *ad hoc* intergovernmental Working Party to study appropriate measures on the basis of certain suggestions made by the German delegation, and to report to the governments of the Member States by the end of 1977. On 20 and 21 December the Ministers for Transport took note of a verbal report by the Belgian Government Representative on the progress made by this Working Party.

10. MISCELLANEOUS

(a) Establishment of a summer-time system in the Community

153. The Council departments continued their examination of the Commission's proposal on the establishment of a summer-time system in the Community. Now that summer time has been adopted by the Benelux countries, all the Member States except Denmark and the Federal Republic of Germany have instituted a summer-time system.

However, harmonization of the dates for the beginning and end of the summer-time period also depends on the position taken up by certain third countries, in particular Austria and Switzerland, in view of the large amount of intra-Community traffic which crosses their territories. Since coordination with these countries was not achieved, it was not possible to agree on one system for 1978.

On 20-21 December the Council expressed the hope that these difficulties would be overcome during the first half of 1978, and with this in mind drew the attention of the Ministers for Foreign Affairs to the matter.

(b) Agreement on the carriage of perishable foodstuffs (ATP)

154. On 9 August 1976 the Commission had submitted to the Council a proposal for a Decision relating to the partial ratification or accession by the Member States on behalf of the Community, to the Agreement of the United Nations Economic Commission for Europe relating to the international carriage of perishable foodstuffs (ATP).¹

Following ratification by Denmark, the Federal Republic of Germany and France, this Agreement entered into force on 21 November 1976. The Commission departments reported to the Council departments on the entry into force of the Agreement, which does not seem to have created any particular difficulties for Member States which have not yet ratified it.

The Council departments continued to examine the Commission's proposal which raises certain problems of a constitutional nature for some Member States.

¹ See 24th Review, paragraph 132.

G – Research

1. SCIENCE AND TECHNOLOGY

(a) Development of a common policy in the Community

155. In connection with the implementation of Community policy on science and technology, the foundations of which had been laid in Paris by the Heads of State and Government in October 1972, and which have subsequently been defined by the Council in its Resolutions of 14 January 1974, in June 1977 the Commission submitted to the Council a communication proposing certain guidelines for pursuing this policy during the period 1977–80. The communication includes the following:

- a draft Council Resolution on guidelines for the common policy in the field of science and technology;
- a proposal for a Council Decision on the promotion of research projects of industrial interest;
- a proposal for a Council Decision on a research programme of forecasting and evaluation in the field of science and technology.

This communication is at present being studied in depth by the Scientific and Technical Research Committee (CREST).

156. In addition, in the course of 1977 this Committee delivered its opinion on the programmes proposed by the Commission to the Council in the field of primary raw materials, town planning, medical research, scientific and technical information and documentation, aeronautical research, recycling of paper and board, physical properties of foodstuffs and improvement of data transfer in the European languages.

(b) Financial aid for technical research on coal

157. To encourage technical and economic research aimed at improving methods of production, beneficiation and utilization of coal in the Community, on 8 March 1977 the Council gave its assent, as requested by the Commission under the ECSC Treaty, to the allocation of funds from the levies to financial aid for certain research projects, to cover the expenses of disseminating the results of such research and expenses connected with the projects described in the following table:

Research programmes	Total cost in EUC	Community financial aid in EUC
(a) Methane studies, climatic problems, rock pressure and supports (b) Methods of working and techniques of coalgetting (c) Outbye services underground (d) Mechanical coal preparation	2 675 000	12 063 000
	10 422 500	
	5 926 000	
	1 081 500	
	20 105 000	
	4 695 000	
(e) Coking and briquetting of coal (f) New chemical and physical processes and products from coal	5 425 000	5 972 000
	10 120 000	

2. RESEARCH PROGRAMMES AND BUDGETS

(a) *Research programme*

158. On 14 February 1977 the Council adopted a technological research programme for the footwear industry.¹ This programme covers a period of four years as from 1 January 1977, and will be carried out under a number of contracts. The Community's maximum financial contribution will be 235 000 u.a.

159. On 18 July 1977 the Council adopted a new four-year research programme to be implemented by the Joint Research Centre over the period 1977–80.² The financial commitments total 346 million u.a. and the maximum number of staff at the beginning of the programme will be 2 118. The indicative breakdown of these resources among the various fields is as follows:

¹ OJ L 61 of 5. 3. 1977.

² OJ L 200 of 8. 8. 1977.

Field of activity	Commitments for expenditure (in million units of account)	Staff at beginning of programme
<i>1. Nuclear safety</i>		
reactor safety	77.20	564
plutonium fuels and actinide research	39.29	219
management of nuclear materials and radioactive waste	21.06	138
Total	137.55	921
<i>2. Future forms of energy</i>		
solar energy	14.53	74
hydrogen	15.33	102
thermonuclear fusion technology	11.99	62
high temperature materials	8.20	52
Total	50.05	290
<i>3. Environment and resources</i>	35.18	232
<i>4. Measurements, standards and reference techniques (Métré)</i>	53.37	340
<i>5. Service and support activities</i>	33.26	241
Total	309.41	2 024
Operation and utilization of the HFR reactor (Supplementary programme)	36.59	94
Grand total	346.00	2 118

160. On 17 October 1977 the Council approved the procedures for carrying out the JET project, which forms part of the Community's 'fusion' programme. At the Council's meeting on 25 October 1977 it was decided that the project would be sited at Culham in the United Kingdom. To carry out this project a Joint Undertaking within the meaning of Articles 45-51 of the EAEC Treaty would be established. An interim JET Council has been set up to draft the statutes of this Joint Undertaking within four months and in accordance with the Council's guidelines. Pending the Council's approval of the statutes, preparatory

work for the project would be carried out in accordance with existing procedures, although the Commission must act in all cases in agreement with the interim JET Council.

161. On 27 September 1977 the Council adopted the first European Economic Community concerted project. This is concerned with the treatment and use of sewage sludge, and is a continuation of the previous COST Project 68.¹ The object of this new project is to coordinate at Community level research projects carried out on a national basis. The Commission is responsible for this coordination and for the exchange of information on the results of these research projects. The maximum financial contribution by the Community to this first project, which covers a period of three years, is 140 000 u.a. Negotiations have begun for non-Community European States who are members of COST (European Cooperation in the field of Scientific and Technical Research) to be associated with this project.

162. On 18 July 1977 the Council adopted a Resolution on advisory committees on research programme management with the aim of standardizing the structures and powers of these various committees.²

(b) *Budgets*

163. The 'research' section of the Community budget for the 1978 financial year adopted by Parliament on 15 December 1977 includes 169.5 million EUC in commitment appropriations and 194 million EUC in payment appropriations.

On 27 November 1977, on the basis of the Council's draft, Parliament adopted an amending budget no 2 for 1977 in order to make budgetary provision for the Council Decision of 18 July 1977 adopting a new four-year research programme for the JRC.³

3. EXTERNAL RELATIONS

(a) *Cooperation with the International Energy Agency (IEA)*

164. On 5 October 1977 the Council agreed that the European Atomic Energy Community should sign three agreements implementing

¹ OJ L 267 of 19. 10. 1977.

² OJ C 192 of 11. 8. 1977.

³ See paragraph 158 of this Review.

research and development programmes drawn up under the aegis of the International Energy Agency in the following fields:

- hydrogen production;
- plasma-wall interactions in TEXTOR (thermonuclear fusion);
- supraconductive windings for fusion.

In addition, on 15 October 1977, the Council gave its assent for the EEC to be party to an IEA Agreement on implementing a programme to develop and test heating and cooling systems using solar energy.

(b) *Participation of the Communities in two European research projects drawn up under the aegis of the COST Committee (European Cooperation in the field of Scientific and Technical Research)*

165. During 1977 the Council approved the participation of the Communities in two European research projects drawn up under the aegis of the COST Committee, i.e.:

- on 25 October 1977 the participation of the EEC in the project 'Electronic traffic aids on major roads (COST project No 30)';
- on 7 November 1977 the participation of the EAEC in the project 'Materials for gas turbines (COST projects Nos 50/51/52)'.

H – Environment

1. TEXTS ADOPTED BY THE COUNCIL IN THE COMMUNITY LANGUAGES

166. At its meeting on 29 March 1977 the Council adopted the Directive on biological screening of the population for lead.¹

This Directive is concerned with health protection and provides for the organization in the Community of a system for assessing lead absorption by the population as measured by the lead level in the blood.²

¹ OJ L 105 of 28. 4. 1977.

² See also 24th Review, paragraph 146.

167. At its meeting on 17 May 1977 the Council adopted a Resolution of the Council of the European Communities and of the Representatives of the Governments of the Member States meeting within the Council on the continuation and implementation of a European Community policy and action programme on the environment.¹

This second action programme on the environment covers the period 1977–81. It is the follow-up to the first programme adopted on 22 November 1973 and ensures the continuity of the projects already undertaken by the Communities with a view to ensuring a qualitative improvement in their economy and preserving the natural environment.²

The main new projects in this programme concern:

Environmental impact assessment (studies of the impact of various factors on the environment)

This project is based on one of the fundamental principles of environment policy laid down by the first action programme, which is the need to set up machinery for preventive action.

In order to take greater account of environmental aspects in town planning and land use the Commission will undertake studies with a view to achieving closer harmonization of national legislations and regulations and, where appropriate, establishing procedures at Community level designed to assess impact on the environment.

Development of a mapping system

To ensure the protection and rational management of the environment, the Commission will follow a method, based on cartography, designed to match economic and social demands to ecological supplies and to determine the character of the different regions in the Community.

This method will make an important contribution to the preventive action by the authorities in that it will allow them to take due account of environment-related data in physical planning policies.

Measures against atmospheric pollution

¹ OJ C 139 of 13. 6. 1977.

² See also 24th Review, paragraph 147.

Important developments had already taken place in the context of the atmospheric pollution control policy under the first action programme adopted on 22 November 1973, and the Council had already introduced several measures in this sphere. In the new programme however, the Council reaffirmed the importance attached to atmospheric pollution control. Besides the measures already undertaken or envisaged under the first action programme the Commission will examine problems relating to the effect of fluorine and chlorine compounds on the upper layers of the stratosphere.

Measures against noise

In view of the overall increase in noise the Community has sought solutions to this problem through the implementation of an overall anti-noise programme, initiated in general outline at Community level and implemented at Community, national, regional or local level, according to the type of measure proposed. These measures will concern not only the sources of noise emission but also the conditions governing noise propagation and reception: for example, motor traffic noise can be restricted not only by reducing the noise levels of the engines of the vehicles, but also by the use of better road surfacing materials.

The Commission will make appropriate proposals concerning the following:

- noise measurement methods;
- specifications for noisy products;
- noise-insulation standards;
- permissible noise levels at the place of work.

Measures against waste and wastage

The considerable volume of waste materials of all kinds produced each year by the Community, and its heavy dependence on external supplies for many essential raw materials have led the Community to take firm measures against waste. This policy was initiated under the first action programme by the introduction of a number of measures, but it will be stepped up and extended over the next few years.

The three main aspects of this policy will be:

- prevention of waste generation;
- recycling and re-use of wastes;
- environmentally safe disposal of non-recovered waste.

These measures against waste and wastage form part of a more general policy of safeguarding and managing natural resources, which will be particularly concerned with protecting water resources.

168. At its meeting on 25 July 1977 the Council adopted the Decision concluding, on behalf of the Community, the Convention for the protection of the Mediterranean Sea against pollution and the Protocol for the prevention of the pollution of the Mediterranean Sea by dumping from ships and aircraft.¹ On the same day it also adopted a Decision concluding, on behalf of the Community, the Convention for the protection of the Rhine against chemical pollution.¹

169. At its meeting on 12 December 1977 the Council adopted a Decision establishing a common procedure for the exchange of information on the quality of surface fresh water in the Community.²

This Decision is based on the principles laid down in the European Community action programme on the environment of 22 November 1973, and lays down that data should be forwarded to the Commission relating to the quality of the water sampled by measuring stations selected by Member States. This exchange of information would give a better comparison of the measurements made by the different Member States and help in laying down guidelines for the control of water pollution. This Decision may be regarded as laying the foundations of a Community system for monitoring pollution in surface fresh water.

2. IMPLEMENTATION OF THE ACTION PROGRAMME OF 22 NOVEMBER 1973

170. During 1977 the Council continued to carry out the Community's action programme on the environment which was adopted on 22 November 1973.

On 12 December 1977 the Council gave its assent, subject to final legal and linguistic amendments, to a proposal for a Directive on

¹ OJ L 240 of 19. 9. 1977.

² OJ L 334 of 24. 12. 1977.

toxic and dangerous waste and on a proposal for a Directive on waste from the titanium dioxide industry.¹ It examined a proposal for a Directive on bird protection and held a general debate on atmospheric pollution caused by sulphur, with particular reference to a proposal for a Directive laying down air quality standards for sulphur dioxide and suspended particles.

3. INTERNATIONAL MATTERS

(a) International Conventions

171. On 14 June 1977 the Council adopted a Decision authorizing the Commission to open negotiations with third countries with coastlines on the Baltic Sea, with a view to enabling the European Economic Community to accede to the Helsinki Convention of 22 March 1974 on the Protection of the Marine Environment of the Baltic Sea Area.

172. On 7 November 1977 the Council adopted a Decision authorizing the Commission to take part in negotiations on a draft Protocol to the Barcelona Convention on the protection of the Mediterranean Sea against pollution from land-based sources.

(b) Relations with other international bodies or conferences concerned with the environment

173. In accordance with the action programme adopted on 22 November 1973 and the Agreement on information of 5 March 1973² the Member States adopted a common standpoint on the activities of the international bodies, in particular under the OECD, the Council of Europe – in connection with the draft Strasbourg European Convention for the protection of international water-courses against pollution – and the UNEP³ – in connection with the problem of the effects of fluorocarbons in the environment.

174. Similarly a meeting to harmonize viewpoints took place with regard to the United Nations Conference on problems connected with water which was held in Mar del Plata Argentina in March 1977.

¹ OJ L 54 of 25. 2. 1978.

² OJ C 9 of 15. 3. 1973 and OJ C 86 of 20. 7. 1974.

³ United Nations Environment Programme.

I – Other matters

1. EDUCATION, YOUTH AND CULTURE

175. During 1977 the Education Committee, assisted by the Commission departments and experts, continued its work on the action programme instituted by the Resolution adopted on 9 February 1976 by the Council and the Ministers of Education meeting within the Council.¹

The Committee concentrated particularly on two aspects of the programme: education and transition to working life, and Community action on the education of the children of migrant workers.

As regards the transition to working life, on 29 November 1976 the Council and the Ministers of Education meeting within the Council gave their assent to a Resolution on specific measures in this field to be taken at Community level over the period 1978–80.² The Committee carried out the preparatory work for a programme of pilot projects to be launched in the first few months of 1978.

Regarding action concerning the children of migrant workers, the Resolution of 9 February 1976 laid down a series of actions at Community level. During 1977 the Education Committee organized exchanges of information and experience by means of a small number of pilot projects; likewise a joint project concerning the training of teachers working in this field.

The Committee also dealt with other matters, of necessity less intensively. These included cooperation in the field of further education, opportunities for teachers to pursue their careers abroad, exchanges of education administrators, the teaching of living languages, and the exchange and dissemination of information.

2. CONSUMER PROTECTION AND INFORMATION

176. During 1977 the Council continued its examination of the initial measures implementing the Community's preliminary programme for a

¹ OJ C 38 of 19. 2. 1976.

² OJ C 308 of 30. 12. 1976.

consumer protection and information policy, which was adopted by the Council on 14 and 15 April 1975.¹

This Council actively continued its examination of the proposal for a Directive on the approximation of the laws of the Member States on the labelling, presentation and advertising of foodstuffs intended for the final consumer. Work also continued on the proposal for a Directive on the approximation of the laws of the Member States on the range of nominal quantities permitted for certain prepackaged products. Lastly, in May 1977 the Commission submitted a proposal for a Council Directive on consumer protection regarding price indications for foodstuffs.

When these three Directives have been adopted by the Council they will constitute an important and rational step forward at Community level towards better consumer protection and information on foodstuffs.

The Council also began its examination of the proposal for a Directive on consumer protection in the case of contracts negotiated away from business premises.

177. In addition to the proposal for a Directive on the approximation of the laws, regulations and other administrative provisions of the Member States regarding responsibility for defective products, already submitted, the Council received a proposal for a Directive on the protection of participants in home-study courses.

178. Furthermore, the Council continued its work and adopted a number of measures in other specific sectors which also concern the consumer, such as foodstuffs, e.g. standards for products and regulations on additives, the veterinary and animal nutrition sector, and health protection, e.g. regulations on dangerous substances, and the harmonization of standards for industrial products, particularly in the sphere of noise abatement.

3. TRIPARTITE CONFERENCE (LUXEMBOURG, 27 JUNE 1977)

179. Under the chairmanship of Mr Denis Healey, United Kingdom Chancellor of the Exchequer and President-in-Office of the Council, the representatives of the workers' and employers' organizations met in

¹ OJ C 92 of 25. 4. 1975.

Luxembourg on 27 June 1977 with the members of the Council (Ministers for Finance, Economic Affairs and Labour) and of the Commission. The theme of the Conference was 'Growth, stability and employment: stocktaking prospects'.

The various organizations represented at the Conference began by analysing the situation, which was one of a high rate of unemployment and a persistently high rate of inflation incompatible with the objective of growth and stability. They then went on to examine the possibility of re-establishing a satisfactory growth and employment situation.

The President noted that there was general agreement indicating that all efforts should be directed to achieving world growth accompanied by a substantial reduction in unemployment.

It was noted that those countries with the strongest economies were experiencing problems in achieving growth whilst avoiding a recrudescence of inflation. If these countries did not make a major effort, however, it would be impossible to re-establish full employment, which was the most important objective. Meanwhile those countries with weaker economies should continue to try to control inflation, and endeavour to increase net exports and to make their industries more productive.

One of the key points in the discussion concerned the measures to be taken regarding the labour market, and three types of action in this sphere met with general approval during the debate. The first type was that which had already been adopted in several countries to deal with short-term cyclical unemployment. The idea was put forward that it might also be necessary to apply more long-term measures to the labour market, which would come under the general policy of adjusting to structural changes. Several trade union representatives suggested that these measures might include a reduction in working hours and early retirement; other speakers emphasized that if it was decided to take these measures, the way in which they were applied would have to be separately examined in order to ascertain whether the advantages outweighed the disadvantages. In addition, as a half-way house between the cyclical and structural measures which would have to be taken regarding the labour market, there were certain measures designed to relieve the bottlenecks in the distribution of the labour force. These bottlenecks seemed to represent an increasing hindrance to

economic growth, even at the present very modest and unrepresentative levels of apparent growth.

The Conference defined four groups of problems connected with further action, which should continue to occupy the thoughts of all the participants.

- What were the cost effectiveness and implications for industrial performance of the various means of work sharing?
- What was the role compatible with stability and growth – of the tertiary sector, including the public sector, as far as the creation of employment was concerned?
- What were the restraints imposed by the international situation on the Community's competitiveness and what changes were required in the pattern of employment and investment in the Community as a result of recent changes in key areas of the world economy if growth with stability was to be achieved?

How was it possible to ensure the right conditions for employment-creating growth? In particular what could be done to promote investment, public or private, and by what means, direct or otherwise, could it be ensured that this investment would on balance create jobs rather than destroy them? Some of the speakers at the Conference voiced their anxiety by saying that in current circumstances investment might tend to reduce rather than to increase the number of jobs available. Any action taken would need to be extremely realistic, and the wish was expressed that this study include consideration of the likely effects of investment on employment in the Community within the next two years.

4. ADAPTATION OF THE BRUSSELS CONVENTION

(Convention on jurisdiction and enforcement of judgment in civil and commercial matters, and Protocol on the interpretation of this Convention by the Court of Justice)

180. The work on adapting the Brussels Convention of 27 September 1968 following the accession of the three new Member States was completed by the Working Party. The Permanent Representatives Committee agreed to submit the draft Accession Convention and

Professor Schlosser's report to the competent authorities in the Member States for their comments. These will be examined by the Working Party at the beginning of 1978 and a report submitted to the Permanent Representatives Committee as soon as possible after examination.

It may therefore be assumed that the Convention will be signed by the representatives of the Member States, meeting within the Council, in autumn.

CHAPTER IV

External relations and relations with the Associated States

A – General commercial policy

1. COMMERCIAL POLICY REGULATIONS

(a) Express or tacit extension of commercial agreements

181. Under the terms of the Council Decision of 16 December 1969,¹ the express or tacit extension of commercial agreements concluded by Member States with third countries is subject to a procedure of Community authorization, which is granted only in so far as the common commercial policy is not affected. Under this Decision the Council, on a proposal from the Commission, authorized the express or tacit extension of a number of bilateral agreements in its Decision of 25 April, 18 July, 27 September and 18 October 1977.

(b) Common import arrangements

(i) Liberalized products

182. On the basis of a proposal submitted by the Commission at the beginning of 1976, work continued within the Council with a view to making a number of amendments to Regulations (EEC) No 109/70 and No 1439/74 establishing common arrangements applicable to imports from State-trading countries² and other third countries³ respectively.

¹ OJ L 326 of 29. 12. 1969.

² OJ L 19 of 26. 1. 1970.

³ OJ L 159 of 15. 6. 1974.

The aim of this proposal is to bring to existing regulations on this matter closer into line with Community practice and also to make certain technical amendments to the two Regulations in question in the light of experience.

In addition, in view of the present crisis in the Community's textile industry,¹ and pursuant to Regulation (EEC) No 1439/74, the Council adopted a number of Regulations which sought to confirm, in some cases with certain amendments, safeguard measures concerning textiles taken by the Commission in respect of certain third countries.

(ii) Products subject to quantitative restrictions

Common import arrangements relating to State-trading countries

183. In accordance with the basic Council Decision 75/210/EEC relating to the autonomous import arrangements in respect of State-trading countries,² on 21 December 1977 the Council adopted the amendments to be made for 1978 to the current quota lists.

The main feature of these 1978 lists is the fact that, with only rare exceptions, the increase in the quota amount does not exceed 5 %. Furthermore, because of the general economic situation in the Community and especially the situation in certain sectors, the increases for certain products are smaller. This is particularly true of the textile products covered by the arrangement relating to international trade in textiles, on which the Community has decided to adopt a specific commercial policy as from 1978.¹ This decision ensures maximum cohesion in this sector between the commercial policy based on agreement and that governed by autonomous arrangements with regard to State-trading countries.

Protective measures applicable to imports of certain motor-cycles originating in Japan

184. On the basis of Article 113 of the EEC Treaty and in accordance with the procedures established by Council Decision 72/455/EEC of 19 December 1972 laying down certain transitional measures for the progressive standardization of Member States' import arrangements

¹ See paragraph 189 of this Review.

² OJ L 99 of 21. 4. 1975.

as regards third countries,¹ on 25 July 1975 the Council adopted a Regulation concerning these protective measures in respect of Italy.²

(iii) Anti-dumping law

185. On the basis of Regulation (EEC) No 459/68 of the Council on protection against dumping or the granting of bounties or subsidies³ by countries which are not members of the EEC, anti-dumping measures were introduced with regard to Japan in respect of ballbearings and tapered roller bearings, and with regard to Taiwan in respect of chains for pedal cycles and motor-cycles, and iron and steel bolts.

(c) *Cooperation agreements*

186. The Select Committee set up by the Council Decision of 22 July 1974⁴ held several consultation meetings. The consultation procedure made it possible not only to ensure that the agreements or commitments relating to economic and industrial cooperation were in accordance with the common policies, but also to proceed by stages to a more constructive phase – i.e. that of identifying problems of common interest and encouraging coordination of Member States' actions *vis-à-vis* the third countries concerned.

2. GATT MULTILATERAL TRADE NEGOTIATIONS

187. The multilateral trade negotiations which had been practically confined to work of a technical nature throughout 1976, mainly because of the forthcoming presidential elections in the United States,⁵ gathered momentum in the second half of 1977.

In July 1977 the Commission and the American special representative, Mr Strauss, agreed on a time-table for resuming negotiations, according to which the preparatory work for the negotiations is to be completed by January 1978. During this phase the parties concerned are required to define and clarify their views on all the

¹ OJ L 299 of 31. 12. 1972.

² OJ L 188 of 28. 7. 1977.

³ OJ L 93 of 17. 4. 1968.

⁴ See 22nd Review paragraph 177.

⁵ See 24th Review, paragraph 159 et seq.

main items to be negotiated: tariff reduction formulae, requirements and concessions on agricultural products and non-tariff measures, problems for which new multilateral solutions must be found, safeguards machinery, etc. The final phase of the negotiations is to commence in January 1978, the aim being to complete these in the second half of 1978. This time-table was accepted by the other parties to the negotiations.

On the basis of the guidelines laid down by the Council in February 1975, and in consultation with the Article 113 Committee, the Commission continued to prepare the Community's position in the negotiations and accordingly took an active part in the numerous meetings and conversations held between the main parties.

At its meeting in October 1977 the Council received a detailed report from the Commission on the progress made in these conversations. An in-depth exchange of views was held which enabled the various delegations to define their standpoints, and this in turn enabled the Commission to continue its discussions with full knowledge of the opinions of the governments. At its meeting in January 1978 the Council will finalize the Community's position in respect of the final phase of the negotiations, on the basis of a general report to be submitted by the Commission.

Obviously the multilateral negotiations are being resumed in a vastly different economic situation from that which obtained when they were first launched at the Tokyo Ministerial Conference in 1973. Since then the international community has experienced a long and severe economic recession which has aggravated protectionist pressures, particularly on trade matters. In the context of the measures which the Community and its major industrial partners are taking to overcome the crisis and stimulate economic growth, resumption of trade negotiations is seen as a necessary stimulus giving practical expression to the wish of all the international trading partners to control protectionist tendencies and to continue their efforts to maintain and develop free trade. The aim is to devise machinery which will pave the way towards long-term abolition of trade restriction – stage by stage, so as to take full account of the economic and political situation at any given time. Furthermore, all the items to be negotiated are regarded as forming a single entity and progress should be made at the same pace in all sectors.

3. ADMINISTRATIVE PROBLEMS IN INTERNATIONAL TRADE

188. As in the past, the Article 113 Committee paid constant attention to the specific problems confronting the Community in its multilateral and bilateral relations, particularly as regards the measures taken by a number of third countries following difficulties which they had encountered by reason of the world economic situation. In this connection the Member States and the Commission endeavoured to devise means of maintaining liberalization of international trade in general and safeguarding in particular the Community's export interests.

It is relevant to mention here the Community's acceptance of the renewal for a further period of one year of the OECD 'Trade Pledge' of 30 May 1974.

4. SECTORAL PROBLEMS

(a) *Textiles: Bilateral negotiations and extension of the Multifibre Arrangement*

189. The international arrangement on trade in textile products to which the Community had acceded in 1974 was due to expire in December 1977. The problem of extending it arose when the economic situation in the Community's textile industry was particularly difficult, and had even necessitated recourse to certain safeguard clauses.¹ The Community considered that an extension of the Multifibre Arrangement for the period 1978–82 could not be accepted unless certain derogations were made to the stringent rules of the previous Arrangement and bilateral agreements negotiated in advance with countries supplying low-priced goods. The problem was to ensure an orderly growth in all textile imports over the next five years and to confine these imports to levels acceptable to the Community's industry whilst it was offered the breathing space required to reorganize itself. Although this approach meant restricting the growth of imports from the main supplier countries, on the other hand it offered them security of access to the Community market.

On the basis of the guidelines drawn up by the Council in March and June, the Community accordingly set out at the meeting of the

¹ See paragraph 182 of this Review.

Textiles Committee in Geneva the objectives it was reckoned to achieve in the textile sector over the next five years through the negotiation of bilateral agreements, and specified that only if these bilateral negotiations were successful would it be possible to accept the renewal of the Multifibre Arrangement. Such a renewal should entitle the Community to make certain derogations which should be specified in the Protocol renewing the Arrangement.

Subsequently, on the basis of guidelines drawn up by the Council at its meeting of 18 October 1977, negotiations and consultations were held with all the countries supplying low-priced goods, including a number of countries linked to the Community by preferential agreements. A report on these negotiations was submitted to the Council at its meeting on 19-20 December 1977. The Council endorsed the outcome of the Commission's negotiations and accordingly agreed that the Multifibre Arrangement be extended under the conditions set out above.

The bilateral agreement negotiated with some 30 supplier countries and covering approximately 90 % of low-priced textile imports into the Community will produce the following effects over the next five years:

- as regards the eight products identified by the Council as highly sensitive – i.e. cotton yarn, cotton piece goods, synthetic piece goods, T-shirts, jerseys, trousers, blouses and shirts – the rate of penetration of the market by low-priced imports will be stabilized;
- as regards the other sensitive products, the annual growth-rate will be restricted to very moderate levels through the effect of agreed ceilings;
- lastly, as regards the products not at present sensitive, the Community will be able to take action under automatic safeguard machinery agreed with the non-preferential suppliers if changes in the situation made it necessary.

(b) *Steel industry*

190. At its meeting on 19-20 December 1977 the Council reached an overall policy agreement on the internal and external measures to be introduced to resolve the current crisis in the Community iron and steel industry.

191. With regard to the external measures, the Council instructed the Commission to submit proposals, along the lines of the OECD declaration, to all the countries which export steel to the Community, suggesting that they conclude with the latter bilateral arrangements for price restraints – based on Community minimum prices – so as not to provoke a disturbance on the Community market. This could only be achieved if at the same time assurances were given on the maintenance of traditional trade patterns on the basis of 1976, taking into account the trend towards lower consumption forecast for 1978.

192. The Council also took note of the action the Commission would be taking to terminate the disturbances on the Community market. As from 1 January 1978, ending the conclusion of bilateral agreements which should take place by the end of June, the following measures would apply:

- in accordance with the provisions of GATT on dumping, publication in the Official Journal of the basic price reflecting the lowest production costs in the exporting country in which normal conditions of competition exist;
- compulsory indication of the delivery price in the automatic import licences;
- recording by the customs administrations on behalf of the Commission of any differences between the published basic price and the declared delivery price;
- immediate application by the Commission of provisional countervailing duties.

193. For the system to become fully operative on 1 January 1978, automatic licences not used on 20 December 1977 would be cancelled and require to be subsequently renewed. Exceptions would be made for goods loaded on board ship before 20 December 1977 and goods consigned by rail (especially for the Eastern European countries), which would be accepted until 31 December. However, the normal anti-dumping rules would apply to such imports.

194. Pending the conclusion of the arrangements to be negotiated by the Commission with third countries, the Council agreed in principle to a measure prohibiting Community undertakings from aligning their prices on tenders for iron and steel and pig-iron products from certain third

countries. This measure would be introduced when the agreements with third countries entered into force.

B – Development cooperation policy

195. A great deal of progress was made in drawing up an overall development cooperation policy on a world scale during 1977. Three Council meetings of Ministers responsible for the development sector were held on 22 March, 16 June and 28 November, the last-mentioned having proved particularly fruitful.

1. COORDINATION AND HARMONIZATION OF DEVELOPMENT COOPERATION POLICIES

Further significant progress was made in implementing the Council Resolution of November 1976 on the coordination and harmonization of the development cooperation policies of the Member States and the Community.

196. As regards emergency and humanitarian aid – at its meeting on 22 March 1977, on the basis of a memorandum from the Netherlands Government, the Council adopted a Resolution seeking to strengthen the efficacy and cohesion of Community and national aid in the event of natural disasters or comparable exceptional circumstances, by providing for better coordination and, where appropriate, joint action. This new form of coordination would come into operation at the first-aid stage and also in the event of short-term emergency aid. It would not operate in the case of longer-term aid for reconstruction. At its meeting on 28 November 1977 the Council gave its assent to the practical procedures for organizing this type of coordination. The system is based on the part to be played by a Commission coordinator who will act in close liaison with a direct representative of each Member State. The Council also took note of the list of means of action currently available in Member States and the Community in the event of disasters.

This means that the Resolution of 22 March 1977 mentioned above is now fully operational.

197. With regard to bilateral aid, at its meeting on 28 November 1977 the Council, acting on a suggestion from the Belgian delegation,

adopted a Resolution under the terms of which it agreed to seek more specific results as regards the coordination of the bilateral policies of Member States and Community policy. This Resolution seeks to achieve its objective by providing for the arrangement of meetings in an *ad hoc* framework, where two or more Member States consider it worth while to coordinate their bilateral activities more closely in a given country or group of countries, or where joint projects are to be implemented. These meetings would be open to the other Member States and the Commission and would be held both in Europe and on the spot. Furthermore, in this Resolution the Council instructed the Commission to widen the scope of its coordination activities at sectoral level and also in accordance with the country-by-country approach.

The Resolution on the coordination of bilateral aid constitutes a new sphere of action where coordination may prove to be particularly useful.

198. Under its Resolution of 8 November 1976 on the coordination and harmonization of development cooperation policies the Council had also agreed to endeavour, on the basis of Commission proposals, to arrive at an overall view of the repercussions of the Community's internal and external policies on its development cooperation policy, and vice versa. This is a large and complex problem in view of the changes which have transformed the international economic situation obtaining in the sixties, and also because of internal developments in the Community countries. Hence the Commission confined itself to submitting an initial document in June 1977 which at that stage contained no formal proposals but constituted an initial survey to stimulate discussion on the matter. The Council departments had undertaken the examination of this document with a view to the Council meeting of 28 November 1977. However, because of its heavy workload the Council was unable to discuss the question and, in view of its importance agreed to postpone the discussion to the next meeting.

199. Lastly, it should be noted that at its meeting of 22 March 1977 the Council decided to hold a general discussion once or twice a year on certain basic problems regarding relations with the developing countries with a view to achieving better cohesion in the development cooperation policy of the Community and the Member States. At its meeting on 16 June 1977, on the basis of a paper from the Commission, the Council held a general discussion on 'Rural development, agriculture and food

production in the developing world'. Having established that there was broad convergence of views on the analysis of the problems – intensified rural development being one of the major challenges facing the developing countries today – and that an integrated approach was required in implementing the means to resolve them, the Council instructed the Commission to submit operational proposals on the means of action to be implemented both at Community and at national level.

2. TECHNICAL AND FINANCIAL AID TO NON-ASSOCIATED DEVELOPING COUNTRIES

200. At its meeting on 28 November 1977 the Council reached an important agreement on the principle of drawing up a basic Regulation covering the provision of financial and technical aid to non-associated developing countries. This principle had been confirmed in the Council Resolution of 16 July 1974 and the agreement will in future permit the aid concerned to be institutionalized. Work on finalizing the Regulation, on the basis of a proposal from the Commission, is continuing. It is expected that this Regulation, following – if need be – the procedure of conciliation with Parliament, will be in force for the 1978 budget year.

201. Since the basic Regulation mentioned above was not yet in force, an *ad hoc* procedure was agreed for making available the appropriation of 45 000 000 u.a. from the 1977 budget.

At its meeting on 16 June 1977 the Council held a discussion on the general guidelines suggested by the Commission for using this appropriation. On that basis the Commission prepared a programme which met with general agreement at the Council meeting on 28 November 1977, thus allowing the Commission to commit these appropriations before the end of the budget year.

The programme gives priority to the rural sector and to food projects for the benefit of the poorest populations. 33 % of the total is allocated to storing crops (depots for grain and feedingstuffs), 29 % to irrigation projects and 38 % to other projects concerned with agriculture, fisheries and stockbreeding, or to research, study projects and technical assistance.

This year the funds are split between Asia (approximately 78 %) and Latin America (approximately 22 %). India is the biggest beneficiary

and absorbs slightly more than a quarter of the total amount. The programme includes finance for nineteen projects in twelve countries and six regional organizations. The beneficiary countries in Asia are: India (12 million u.a.), Bangladesh (5 million u.a.), Pakistan (4 million u.a.), Vietnam (2.4 million u.a.), Indonesia (2 million u.a.), North Yemen (2 million u.a.), Sri Lanka (2 million u.a.) and Thailand (0.1 million u.a.). In Latin America the beneficiaries are Bolivia (1.8 million u.a.) and Honduras (1 million u.a.). As regards the regional projects, 5.3 million u.a. have been allocated to projects in Asia and 7.2 million u.a. to projects in Latin America. The beneficiary regional organizations are: ICRISAT (International Crop Research Institute for the Semi-arid Tropics in Hyderabad – India), IRRI (International Rice Research Institute), ADB (Asian Development Bank), CABEI (Central American Bank for Economic Integration), INCAP (Institute of Nutrition of Central America and Panama) and the Andean Group.

50 % of the monies allocated under this programme are used in various ways for joint projects with regional or international organizations or in bilateral projects of the Member States. The main partners in these jointly financed projects are the World Bank and the Asian Development Bank.

3. PROJECTS INVOLVING NON-GOVERNMENTAL ORGANIZATIONS

202. In 1976 the Community financed some very small projects jointly with non-governmental organizations (NGO) for the first time. In general these voluntary organizations finance small local projects which cannot be undertaken by conventional suppliers of aid. The Community's contribution to these small projects was 2.5 million u.a. in 1976, and rose to 4 million u.a. in 1977.

203. At its meeting on 28 November 1977 the Council also gave its assent to a new internal procedure for using joint financing appropriations with the NGOs, and also to general criteria and procedures governing their use. The main criteria are as follows: – the NGOs should originate in a Member State; the projects should be acceptable to the authorities in the beneficiary countries and should help the least privileged strata of society; particular attention should be given to rural, educational and social projects, and to projects which can be repeated in other regions; after completion the projects should be

administered within a very short time by indigenous personnel. The Council expressed satisfaction at the adoption of these guidelines which provide a formal basis for continuing the extremely fruitful cooperation between the Community and the NGOs.

4. COMMUNITY GENERALIZED PREFERENCES FOR 1978

204. After consulting the Associated States concerned and the ACP States, at its meeting on 28 November 1977 the Council adopted the generalized preference scheme for 1978.

The new efforts made by the Community for 1978 mainly concern the optimum use of the preferences already granted by the Community, bearing in mind the substantial and systematic improvements authorized for the previous years and the disquieting developments in the economies of the Community Member States. Overall, the amount of trade covered (potential preferential imports) should total 5.1 thousand million u.a. for industrial products and 1.3 thousand million u.a. for agricultural products.

205. As far as industrial products (chapters 25-99 of the CCT) other than textiles are concerned, whilst the overall quota offered was only slightly up on that for 1977, an appreciable improvement designed to facilitate imports was decided upon by increasing the number of tariff quotas for which a Community reserve share is set aside to nine.

206. In the case of textiles the 1977 system has been extended for six months with no adjustment in view of the slump in the textile industry in several Community regions, and also to take account of the current textile negotiations.¹

As regards jute and coir products, complete suspension of tariff duty is scheduled as from 1 January 1978, following the agreements concluded with the exporting developing countries concerned.

207. The Council decided to extend preferences to Romania for a number of products additional to the 1977 list.

208. For the least-developed countries the Council agreed to suspend the application of ceilings in 1978 for all semi-sensitive and non-sensitive industrial products – with the exclusion, however, of

¹ See paragraph 189 of this Review.

textile products. This measure is additional to that decided in 1977 (suspension of cut-offs) and falls under the new approach introduced in 1977 which institutes special arrangements for the least competitive countries.

209. As regards processed agricultural products (chapters 1-24 of the CCT), the Council agreed to the inclusion of a number of new products, in particular horses for slaughter and other horses, certain varieties of crustaceans and molluscs, limes, mixtures of tropical fruit and certain fruit and vegetables during the winter period. Furthermore, the Council decided to renew all agricultural quotas, i.e. tinned pineapple other than in slices (45 000 tonnes), pineapples in slices (28 000 tonnes), soluble coffee and cocoa butter (18 750 and 21 600 tonnes respectively), Virginia type tobacco (60 000 tonnes) and other tobacco (2 500 tonnes) – and to include a Community reserve share in these quotas. Lastly, if the Community's efforts are to be fairly assessed, it must be recalled that the 1977 scheme included substantial improvements in the agricultural sector following the implementation of the offer made in respect of tropical products under the GATT multilateral trade negotiations.

5. FOOD AID

(a) *Community strategy on food aid*

210. The Council made some important decisions regarding improvements in the quality of Community aid and on the principle of increasing aid in the form of cereals.

211. As regards the quality of Community aid and management procedures, at its meeting on 27 March the Council laid down the following main guidelines:

- food aid should meet three main objectives: it should relieve distress in emergency situations, it should contribute to economic development and it should raise nutrition levels;
- decisions to give Community food aid should be based as far as possible on an objective assessment of the real needs justifying such aid, but without excluding other pertinent considerations. With this in mind the Council identified the following three indicative criteria: basis food requirements, *per capita* annual income, and balance of payments situation;

- in the interests of better administration of the food aid, particularly from the budgetary angle, expenses incurred by implementing aid projects must fall well within the limits of the appropriations set aside in the Community budget. The annual programmes and schemes will therefore be accompanied by a certain amount of data relating to estimated expenditure and actual expenditure incurred in implementing previous aid projects;
- as regards national projects under the Food Aid Convention, Member States may meet their commitments by paying the cash equivalent to beneficiary countries or organizations, but only in exceptional cases;
- in appropriate cases the Community may mount triangular operations, whereby food aid is given to the beneficiary countries by supplying products purchased in another developing country. This practice would make the Community's food aid more effective, particularly as regards the aim of increasing agricultural production in developing countries;
- as previously decided for sudden and unforeseeable natural disasters, a simplified procedure should be followed for decisions regarding non-natural disasters.

212. At its meeting on 28 November 1977 the Council agreed to instruct the Commission to open negotiations under a new International Cereals Agreement, for an increase in the Community's contribution under the Food Aid Convention as part of an effort by all donor countries, both current and potential, towards the world target of 10 million tonnes.

(b) *Day-to-day administration*

213. As in the past the Community concentrated on drawing up annual aid programmes and implementing aid projects adopted in the course of 1977 and in previous years.

214. On 8 February 1977 the Council drew up the 1977 cereals aid programme. This programme involves supplies totalling 1 287 000 tonnes which will be divided between Community and national projects in the ratio 56:44.

In this connection it should be noted that 47 countries and international organizations, in particular WFP, ICRC, UNICEF, UNRWA

and the League of Red Cross Societies, receive Community aid. The main recipients have been Egypt (150 000 tonnes of cereals, of which 100 000 tonnes were supplied under Community projects) and Bangladesh (142 000 tonnes of cereals, of which 100 000 tonnes were supplied under Community projects).

215. It should also be noted that under the Commission's authorization procedures for disasters emergency aid projects were agreed in respect of Bangladesh (WFP), the Comoro State (repatriates from Madagascar), Ethiopia, Laos (UNHCR), Madagascar, Chad and Angolan refugees in Zaire (UNHCR).

216. As regards aid in the form of milk products, the Council adopted the 1977 programmes covering the supply of 105 000 tonnes of skimmed-milk powder and 45 000 tonnes of butter-oil.

With regard to the recipients of this aid, it should be mentioned that a large proportion was allocated to multilateral organizations, in particular the WFP (27 000 tonnes skimmed-milk powder and 10 000 tonnes butter-oil), UNICEF (11 000 skimmed-milk powder and 2 000 tonnes butter-oil) and as emergency aid agreed under the Commission's new authorization procedure for disasters, to assist a number of countries, i.e. the Comoro State, Ghana, India (League of Red Cross Societies), Angolan refugees in Zaire (UNHCR) and the People's Democratic Republic of Southern Yemen (WFP).

C – North-South Dialogue

217. The problem of relations between the industrialized and developing countries, known as the North-South Dialogue, was discussed on several occasions during 1977 by the Ministers for Foreign Affairs meeting in Council, and also by the European Council at its meeting in Rome on 26 March 1977.

The two main events in 1977 were the ending of the Conference on International Economic Cooperation, and its follow-up at the 31st and 32nd sessions of the United Nations General Assembly, and the Conference on a Common Fund under the UNCTAD integrated programme for commodities.

1. THE CLOSE OF THE CIEC AND ITS FOLLOW-UP AT THE 31st AND 32nd SESSIONS OF THE UNITED NATIONS GENERAL ASSEMBLY

218. The CIEC closed with a meeting at ministerial level which was held in Paris on 30 May–2 June 1977. In the course of this closing meeting the Community adopted a common position which had been held throughout the Conference, its spokesmen being Dr D. Owen, President-in-Office of the Council and United Kingdom Secretary of State for Foreign Affairs, and Mr R. Jenkins and Mr C. Cheysson, President and Member of the Commission of the European Communities respectively.

The Community's position for the final phase of the Conference had been carefully prepared in the course of three meetings.

- The first was the meeting of the European Council of 26 March 1977 in Rome, which had adopted a number of basic options on crucial negotiating points, i.e. the Common Fund, STABEX, and special action – in the terms reproduced below, which echo the statement made to the press by the President of the European Council, Mr J. Callaghan, the Prime Minister of the United Kingdom.

'We have agreed the basis of a common position.

We agreed that there should be commodity price stabilization agreements where appropriate and that there should be a Common Fund. There will also be a study of export earnings stabilization measures for developing countries and of special action for the CIEC on aid.

This will now be worked out in detail at the Council on 5 April and will be brought forward in the preparations for the CIEC Ministerial Meeting in Paris, in which the Community will coordinate its positions with the other industrialized countries in the Group of Eight. This will be followed by detailed negotiations at the UNCTAD Conference.

The Community will call on other countries, for instance in Eastern Europe and oil-producing countries, to make an adequate contribution in the development field.'

- The other two meetings were those held by the Council on 5 April and 3 May 1977, when the options of the European Council were

developed in more detail and the common position was finalized on a number of other problems.

The Community's clear-cut position enabled the industrialized countries to agree on a number of points on which more progress had been made and formed the basis of several agreements concluded at the Conference.

During the Ministerial Meeting which closed the Conference however, it soon became apparent that while agreement could be reached on a number of important points, a compromise solution could not be reached on certain other points of equal importance. These concerned either the Group of Nineteen¹ (indebtedness, purchasing power of energy export earnings in particular, financial assets of the developing countries which were exporters of oil), or the Group of Eight² (in particular consultations on energy). Nevertheless the participants in the Conference were anxious to maintain the climate of cooperation, which was also the Community's objective. This was achieved by adopting a report which listed the points of agreement and disagreement recorded during the Conference and set out in general terms the clearly differing opinions of the Group of Nineteen and the Group of Eight on the results of the Conference.

219. As regards the Community, a speech giving a general report on the CIEC and the part played by the Community was made by the Belgian Permanent Representative, on behalf of the European Economic Community, at the 31st session of the United Nations General Assembly. Some lengthy extracts from this speech are given below:

'The Paris Conference led to positive results in several important fields. Although agreement was not forthcoming in all the areas covered by the Conference in spite of the great efforts made, I see several reasons for this:

- firstly, the scope and increasing complexity of international economic problems and,
- secondly, the difficulty of making simultaneous progress within the broad range of problems discussed without having first

¹ Group of developing countries represented at the Conference.

² Group of industrialized countries represented at the Conference.

defined priorities, and also the difficulty of arriving at conclusions satisfactory to all.

However, the Conference did in fact demonstrate the advantage of a method which seeks to focus discussion more on specific problems and economic realities than on general considerations.

The Community for its part believes that it has demonstrated its political will to foster positive results and that it has made a significant contribution to this end. It has, *inter alia*, presented various proposals which have turned out to be good bases for discussion of several points on which agreements were finally reached.

In the field of raw materials, the Conference expressed its support for rapid and effective progress in the application of the integrated programme for commodities.

During the meeting of the European Council, held in Rome in March 1977, the Community felt that in appropriate cases commodity price stabilization agreements should be concluded.

At the same meeting in Rome the European Council stated that there should be a Common Fund. At the Conference, the Community, along with its partners, made considerable efforts to reach an agreement on the establishment of this Fund as a new entity and a key instrument in the attainment of the objectives agreed upon in the integrated programme for commodities.

At the Rome meeting the Community also stressed that a study should be undertaken on the stabilization of export earnings for the benefit of developing countries. At the Conference the Community, along with its industrialized partners, proposed that an international study be carried out on this topic, that the necessary work be undertaken as a matter of urgency within the Development Committee of IMF and IBRD and that it should take account of all relevant economic and institutional aspects. Unfortunately, no agreement was forthcoming on this point, although all participants did recognize the importance of the problems raised by fluctuations in export earnings.

In the field of international trade, the Community – the principal trading partner of the developing countries – has always taken

initiatives, specifically by the establishment of its scheme of generalized preferences. It has constantly improved this system and decided to extend it beyond 1980. At the Conference it made efforts to reach agreement on the improvement of the scheme of generalized preferences and the identification of areas where special treatment might be contemplated for developing countries.

The Community and the industrialized countries which attended the Conference made substantial commitments towards increasing the volume and quality of their official development assistance and towards expanding the resources of the multilateral financial institutions for development. We hope that all the donor countries, including those which did not attend the Conference, will join in this effort.

In the area of the transfer of resources, the Conference achieved significant results for the benefit of low-income countries. Following an initiative taken by the Community at the European Council meeting in Rome, the industrialized countries attending the Conference did in fact decide to contribute one thousand million dollars to a special action programme. The programme would consist in the prompt payment of additional aid to help to satisfy the immediate needs of low-income countries facing general problems connected with the transfer of resources which curb their development. The Community, which for its part will contribute 385 million dollars to a special account of the International Development Association, hopes that the other donor countries will also contribute to this programme.

The Community, along with the United States, made considerable efforts through its proposals on the problem of debt; these proposals are such as would bring about a substantial improvement in the general situation of developing countries which are in debt.

In addition, an important commitment was made in the area of infrastructure through the recommendation on the Decade for Transport and Communication in Africa. We are happy that the Economic and Social Council has recognized the importance of this problem by adopting the resolution submitted by Kenya on behalf of the Group of 77.¹ Appreciable progress has also been made in

¹ Group of developing countries.

the areas of agriculture and food, as well as in the field of industrialization.

Lastly, agreements and conclusions were reached on access by the developing countries to capital markets, on monetary questions and on the support of the international organizations and developed countries for cooperation among developing countries.

Although conclusions were reached on a number of problems, with regard to others we must continue together to seek conclusions satisfactory to all.

Thus discussions on the problems of investments have clearly shown the fundamental nature of this question in the cooperation between developing and industrialized countries. We should bear in mind the importance, which has been recognized by all the participants in the Conference, of the role of direct investments in development and of conditions which would be likely to favour an increase in their volume and quality.

For the first time a joint analysis of the world energy situation was made possible by the Conference, which reached common conclusions on certain major issues. Among the questions whose importance was stressed should be mentioned:

- the need to increase efforts to conserve energy resources – and in this regard the non-renewable nature of petroleum and gas was stressed;
- the need to progress from the present situation where oil is a primary source of energy to an energy situation based essentially on more permanent and renewable sources;
- the importance of the availability of adequate and stable energy supplies, which is an indispensable condition for the well-being and economic progress of all countries. In this regard, IBRD has been called upon to play a greater role in the diversification and exploitation of energy resources in developing countries, particularly in energy-importing countries.

The need to establish international cooperation in the field of energy was stressed, and the importance of an adequate and stable energy supply was recognized.

In this spirit the Community will study with interest the suggestions made by the Secretary-General of the United Nations, and any other suggestions likely to increase such cooperation.

This analysis shows that, in terms of its positive results, the Conference on International Economic cooperation was a notable milestone in the dialogue between developing and industrialized countries. The European Community very much hopes that the dialogue that has begun can continue in appropriate forums on specific problems, without economic realities being lost to sight.

For its part the European Community, the principal economic and trading partner of the developing countries, will make every possible contribution to the implementation of the agreements reached in Paris at the Conference and will continue its efforts to find and establish jointly a more just and equitable economic order.'

220. In view of the discussions of the United Nations bodies on the results of the CIEC, at its meeting on 25-27 July 1977 the Council adopted guidelines on the position to be taken up by the Community and the Member States, while giving the coordinators on the spot the responsibility for implementing its general policies. On this basis the Community took part in the 31st session of the United Nations General Assembly when it resumed to discuss the results of the CIEC. It also took part in the proceedings of the 32nd session which dealt with international economic cooperation.

The discussions during the 31st session, when the Community spokesman made the speech mentioned above, ended without a resolution being adopted, since the Group of 77 and the industrialized countries were unable to reach agreement on the view to be taken of the results of the CIEC and on the procedure to be followed for continuing the North-South Dialogue. This discussion was resumed at the 32nd session, when a resolution was adopted by a consensus vote, which represented a compromise solution covering the different viewpoints.

This Resolution contains three main points:

- it makes the United Nations system a privileged framework for any world-wide negotiations on the institution of a new international economic order;
- it lays down that a special session of the General Assembly should be convened in 1980 in order to assess the progress achieved with a view to instituting the new international economic order;

- it sets up a Plenary Committee of the General Assembly responsible, not for negotiating in the strict sense of the word, but for supervising and giving impetus to negotiations held in the various bodies of the United Nations 'family'.

The Resolution received Community support, as evidenced by the Belgian representative's statement made on behalf of the EEC countries. He stressed, in particular, that the Community would make a constructive contribution to the work of the Plenary Committee and said that the adoption of the Resolution introduced a new phase in the work of the UN, the main feature of which would be the promotion of international economic cooperation.

2. THE UNCTAD INTEGRATED PROGRAMME FOR COMMODITIES

221. The main event in the proceedings of UNCTAD, under Resolution 93 (IV) on the integrated programme, was the convocation of the Negotiating Conference on a Common Fund and the preparatory work on the individual product agreements.

(a) Negotiating Conference on a Common Fund

222. The Negotiating Conference on a Common Fund held two meetings, from 7 March to 3 April and from 7 November to 1 December 1977. During the period between these two meetings the CIEC, at which the Common Fund had also been one of the major topics, came to an end.

The Community played a particularly active part in the development of the idea of the Common Fund. It took part in the first meeting, in March, on the basis of a common starting point drawn up by the Council on 8 March 1977 and subsequently supplemented by the important decision of the European Council on 26 March 1977 in Rome, whereby the principle of a common fund was accepted.¹ The Community strove to make all the industrialized countries undertake this political commitment in the March meeting, but was unsuccessful. The meeting was adjourned *sine die*, pending the outcome of the CIEC.

¹ See paragraph 218 of this Review.

During this Conference the political commitment advocated by the Community was undertaken by all the industrialized countries and the Paris Conference thus arrived at common conclusions on the support to be given to the negotiations under the integrated programme, stating that the countries participating in the CIEC agreed that a Common Fund be established as a new unit to serve as a key instrument for attaining the agreed objectives of the integrated programme for commodities. The adoption of this commitment was one of the significant achievements of the CIEC.

The second negotiating session was held on this basis in November. Its aim was to negotiate operating machinery for the Common Fund. On 18 October 1977 the Council had defined a joint initial position to be adopted by the Community and its Member States, with a view to the proceedings of Group B (the industrialized countries) and the resumption of the Conference. However, the Conference was suspended on 1 December at the request of the Group of 77, who considered that a number of the countries in Group B had not displayed the political will required for the participants to reach a consensus on the basics of a Common Fund. No procedural provisions or date were fixed for resuming negotiations. In the event some progress was made on a number of principles which should form the basis of a Common Fund, and at the same time the problems on which the positions of the Group of 77 and Group B still differed were identified. These mainly concerned the financial structure of the Fund, particularly the question of possible direct contributions from the governments, and the question of finance from a Common Fund for measures other than buffer stocks.

At the end of the meeting, Group B, and also the Community, expressed their regret that the proceedings had been suspended and confirmed that they were ready to resume negotiations as soon as all the groups were prepared to do so. In spite of the fact that, when the negotiations were suspended, the Nine had still not arrived at joint viewpoints on a number of basic questions which arose during the negotiations and had been left open in the statement of the joint initial position, Community solidarity was maintained throughout the proceedings of Group B and the Conference, although it was severely tested during the final plenary session. A number of countries in Group B, including the Member States of the Netherlands and Denmark, decided to supplement the joint statement made on behalf of Group B by defining their national positions.

(b) *Preparatory discussions with a view to negotiating commodity agreements*

223. Pursuant to Resolution 93 (IV) UNCTAD carried out a very intensive work programme on the eighteen commodities included in the integrated programme,^{1,2} which revealed the need for fairly complex technical studies to assess the various markets, identify the nature of the problems facing these markets and seek effective and viable solutions. The most detailed discussions at present concern rubber, copper, jute and hard fibres.

The Community and the Member States took an active part in this work as a whole. Since it was not covered by the negotiating phase as such, the need for decisions at Council level has not so far arisen.

(c) *Existing commodity agreements*

224. Community activities in this field during 1977 centred on the negotiation of a new International Sugar Agreement, accession to the 1963 International Olive Oil Agreement and participation in the administrative and managing bodies concerned with other commodity agreements.

225. Negotiations for a new International Sugar Agreement were held in two phases as part of a United Nations Conference in Geneva, from 18 April to 27 May and from 12 September to 7 October 1977.

The Community and its Member States took part in this Conference on the basis of negotiating directives drawn up by the Council on 5 April 1977, but have so far not been in a position to accede to the new Agreement.

The main problem facing the Conference was that of identifying the most appropriate means of stabilizing the sugar market in a situation of gross surpluses and consequently very low world prices. The Community's point of view, which reflected the overall position adopted by the Council in respect of the GATT multilateral trade negotiations, was based on a system of controlled prices and stocks to regulate the market. The Community considered that this would stabilize the market

¹ See 24th Review, paragraph 191.

² Discussions are being held under the existing procedure on the commodities already covered by agreements – i.e. cocoa, coffee, sugar, tin and olive oil.

while taking account of certain aspects of its own agricultural policy and its commitment *vis-à-vis* the ACP countries to import 1 400 000 tonnes of sugar at a guaranteed price. The Community concept militated against organizing the world market in such a way as to divide it up into set export quotas and conflicted with the general wish of the third countries to consider an agreement based on export quotas. However, these countries became more flexible and agreed to negotiate, in addition to the quota system, the setting-up of reserve stocks to be financed by a levy on all the sugar sold on the open market. In view of the situation as a whole, and to enable the Community to negotiate during the final phase of the Conference, on 27 September 1977 the Council adopted some supplementary negotiating directives providing for the Community to accede to the Agreement by accepting commitments equivalent to the export restrictions accepted by the other exporting countries under the quota system. However, whilst recognizing the efforts made by the Community to play an effective role in the negotiations, the Conference was unable to make a detailed examination of the new proposals put forward by the former.

At the end of the Conference the text of an agreement was approved which aimed to stabilize the world sugar market by means of regulating machinery based on export quotas and a system of stock management, both systems to function on the basis of world price levels as related to the price bracket negotiated – i.e. USD 0.11 – 0.21 per pound. In addition, to take account of the Community's special position, there was a provision whereby the Community could accede to the Agreement at a later stage following further negotiations between it and the new Sugar Organization.

The Agreement thus negotiated entered into force provisionally on 1 January 1978 for the third countries which had signed it.

226. As regards olive oil, it will be recalled that the Community had taken part in the negotiation of the Protocol of the 23 March 1973 extending once again the 1963 International Agreement.¹ However, the Community had felt unable to accede to that Agreement because of the restrictions on olive-oil exports imposed by one of the main producer countries signatory to the Agreement, which affected the traditional pattern of imports of this product into the Community. Since then,

¹ See 21st Review, paragraph 343.

following contacts with the Spanish authorities, at its meeting on 19 December 1977 the Council agreed to the Community's accession to the Agreement¹ in a statement providing for its provisional application as from 1 January 1978, as an initial step pending completion of the necessary procedures.²

Meanwhile, with a view to the expiry of the Agreement on 31 December 1978, the Community attended the November 1977 meeting of the International Olive Oil Council, as an observer, and argued that, on the occasion of the next United Nations Conference on Olive Oil scheduled for spring 1978, the existing Agreement should be extended for a period of one year only.

Thus the negotiation of a new agreement which would enter into force on 1 January 1980 could be more thoroughly prepared.

The Community's attitude met with a favourable reception in the International Olive Oil Council, which adopted a resolution recognizing the need for a further period of time for preparatory work on the negotiations under the UNCTAD Resolution 93 (IV).³

227. Among other agreements to which the Community has acceded, mention should be made of the discussions held by the International Tin Council and the International Cocoa Council seeking to raise the price bracket negotiated when the two Agreements concerned were concluded.

These discussions, which arose from the desire of the producer countries—the Ivory Coast (cocoa)⁴ and Bolivia (tin)—to adjust the prices to levels which gave adequate remuneration, taking account of production costs and profitability of the projects, ended with compromise solutions to which the Community and the Member States made their own contribution.

¹ Simultaneously with the accession of the Community countries which were not yet signatories to the Agreement.

² OJ L 169 of 26. 6. 1978.

³ Olive oil is on the list of products covered by the integrated programme for commodities (see 24th Review, paragraph 191, footnote 3).

⁴ See 24th Review, paragraph 193 et seq.

D – Relations with the ACP States

1. THE LOMÉ CONVENTION

228. The Lomé Convention was signed on 28 February 1975 and entered into force in its entirety on 1 April 1976. During the second year of application work continued on the full implementation of its provisions in the spheres of trade cooperation, stabilization of export earnings, sugar, industrial cooperation, financial and technical cooperation and, naturally, institutional development. The preparatory work was done by the ACP-EEC Committee of Ambassadors assisted by its seven Committees, Sub-committees and joint Working Party and numerous meetings were held.

The decision-making body, i.e. the ACP-EEC Council of Ministers, held its second meeting on 13-14 April 1977 in Suva (Fiji), under the Chairmanship of Ratu Sir Kamisese Mara, Prime Minister of Fiji and President-in-Office of the ACP Council of Ministers. The Community delegation was led by Right Honourable Edmund Dell M.P., United Kingdom Secretary of State for Trade and Industry and President of the Board of Trade, and President of the Council of the European Communities.

The general feeling of the Community was that the implementation of the Convention seemed to have produced some very good results during the period under review, mainly because of its concentration on practical cooperation and concrete action – a fact stressed by the President of the Council. Examples quoted included the satisfactory operation of the system of export earnings stabilization, the establishment of the bodies provided for under industrial cooperation, and the commitment of 678.6 million EUC in respect of grants administered by the Commission and 85 million EUC in respect of grants administered by the European Investment Bank, thus bringing the total commitments approved by the Commission and the Bank since the Convention entered into force to 1 209.8 million EUC. In addition, there was the considerable advantage deriving from the free importation into the Community of practically all the products of the ACP States, and the Community's acceptance of mutual guarantees on sugar which might place a heavy burden on the latter, depending upon world market conditions.

The ACP States conceded that the Convention was operating satisfactorily in certain sectors, but considered that further improvements should be made to the conditions of application as regards certain aspects of trade cooperation – including some important exports such as bananas and sugar – stabilization of export earnings and financial and technical cooperation.

(a) *Trade cooperation*

229. Statistics provided by the Community on ACP-EEC trade show that imports from the ACP States into the Community, which in 1976 had increased by approximately 20 % by value over 1975, continued to increase in 1977 by 26 % over an eight-month period compared with the same period in 1976. The rate of increase was considerably greater than that for imports into the Community from industrialized countries. As a result of this trend the ACP States managed to account for 7.5 % of imports into the Community. Within the same period exports from the Community to the ACP States rose by similar proportions.

At the request of the ACP States a number of specific problems on trade were discussed by the appropriate bodies of the Convention.

230. With regard to the Community's system of generalized preferences the ACP States stressed that they were a special case since their group included most of the least-developed countries, and that the preferences which they already enjoyed should be safeguarded, as was recognized at the 7th Special session of the United Nations General Assembly. They asked for consultations with the Community in order to devise joint and permanent machinery for monitoring exports from the ACP States in certain specific sensitive sectors, in order to assess the effects of the EEC system of generalized preferences on their trade and to propose corrective measures as needed to safeguard their interests.

The Community accepted the ACP States' suggestion and a joint working party, attached to the ACP-EEC Subcommittee on Trade Cooperation, was instructed to specify and assess effects of the Community's system of generalized preferences on the exports of the ACP States, paying particular attention initially to wood products, particularly plywood, and certain 'Mediterranean' products, including fruit and vegetables.

In addition, the usual consultations were held on the scheme of preferences for 1978.

231. The ACP-EEC Committee of Ambassadors agreed that there should be close consultation between the Community and the ACP States during the GATT multilateral trade negotiations.

232. As regards textiles, the Community informed the ACP States of its special approach designed to regulate the increase in its imports of textile products, so as to avoid further unemployment in those regions of the Community which are already very depressed, and to enable these industries to be systematically reorganized. With more specific reference to the ACP States, the Community informed them of the list of products which would cause severe disruption if suddenly imported in substantially larger quantities. It was prepared, if necessary, to undertake, together with the ACP States concerned, an examination of genuine possible outlets for textile products, bearing in mind that preventive cooperation might avoid protective measures or trading difficulties on the Community market.

233. With reference to trade policy it was restated that each of the parties to the Lomé Convention was bound to inform the other of any intention on its part of adopting trade policy measures which might prejudice the interests of the other party. The obligations of the ACP States regarding non-discrimination, most-favoured-nation treatment, and notification of customs tariffs, were also restated.

234. As regards beef and veal, on 21 November 1977 the Council of the Communities adopted a Regulation extending for one year, until 31 December 1978, the period of validity of the special arrangements accepted for previous years.¹ Under these arrangements beef and veal originating in the ACP States enjoy, on importation into the Community, a 90 % reduction in the normal import charges, subject to specified quantity limits. This reduction is in addition to complete exemption from customs duty provided for when the Lomé Convention was signed.

235. The ACP States had requested that preferential treatment be granted under Article 2 (2) of the Lomé Convention in respect of their exports of tomatoes – mainly of interest to Senegal – to the Community. On 20 December 1977 the Commission accordingly submitted to the

¹ Regulation (EEC) No 2570/77/ OJ L 300 of 24. 11. 1977.

Council a proposal for a Regulation with a view to acceding to this request and an examination of the proposal was immediately initiated.

Subsequently, on 28 February 1978 the Council adopted Regulation (EEC) No 430/78 on the arrangements applicable to tomatoes originating in the ACP States or the overseas countries and territories.¹ This Regulation lays down that from 15 November to 15 April customs duties will equal 40 % of the CCT duties within a Community tariff quota of 1 000 tonnes with a minimum charge of 2 units of account per 100 kg.

236. With reference to the application of Protocol No 7 on rum, the ACP States mentioned that certain importers would encounter difficulties in obtaining licences. On 21 June 1977 the Council adopted Regulation (EEC) No 1377/77, applicable for one year, on the opening, allocation and administration of a tariff quota of 173 000 hectolitres of pure alcohol for rum, arrack and tafia originating in the ACP States.² This Regulation has thus slightly increased the quantities laid down for the previous year, i.e. 162 013 hectolitres. With regard to the proposed regulations on the market for ethyl alcohol of agricultural origin, the Community confirmed that the ACP States would be consulted following the adoption of common guidelines and prior to a final decision, and added that liaison with the Commission departments would continue in the meantime.

237. The views of the ACP States on the application of Protocol No 6 on bananas were submitted to the Community in a number of consecutive memoranda. One of these, adopted at their meeting in Douala in July 1977, by the Ministers of the ACP States which produce bananas, contains proposals for a prior agreement to be concluded between the Community and the ACP States on the organization of the Community markets for bananas; proposals for arrangements under which a minimum share of the new markets would be allocated to bananas from the ACP States; and proposals for the setting up of an ACP-EEC panel of experts on bananas, and for supplementary financial aid to be given to ACP States which produce bananas. After issuing a preliminary reply through the Permanent Joint Group on Bananas set up by Protocol No 6, the Community initiated an examination of these requests.

¹ OJ L 59 of 1. 3. 1978.

² OJ L 157 of 28. 6. 1977.

A meeting on this subject was held on 24 November 1977 between the government Minister Mr Naah (Cameroon) representing the ACP States which produce bananas, and the President of the Council.

During this meeting the ACP States submitted a letter explaining their viewpoint on the implementation of Protocol No 6 and expressing their dissatisfaction with the measures taken by the Community to apply it in respect of the production and marketing of bananas. The Community's reply stressed that bananas exported from the ACP States to the Community enjoyed a tariff advantage and preferential and priority access on certain markets, and pointed to the possibility of technical and financial assistance in respect of banana projects, and of measures to promote trade – all of which should ensure sales under more competitive price, quality and delivery conditions.

238. The Community had been unable to meet a request from the ACP States to exempt aflatoxin from the provisions of the Directive on the maximum content of undesirable substances in animal foodstuffs, but decided to finance a research programme to support the efforts of the ACP States to eliminate aflatoxin from groundnut oil cakes.

239. The ACP States expressed concern over their exports of cotton to the Community and stated their intention to request financial aid for trade promotion measures to increase consumption of cotton and cotton goods in the Community market.

240. They also repeated their request that the Community should consider what arrangements could be made to make available to the ACP States on favourable terms the Community's surpluses of certain food products. The ACP-EEC Committee of Ambassadors was instructed to examine the ACP States' suggestions on the matter and these are being considered by the Community.

241. The ACP-EEC Committee of Ambassadors was also instructed to study the possibility of setting up an ACP-EEC Centre for Agricultural Cooperation, as proposed by the ACP States.

242. Lastly, exchanges of views were held on trade promotion. The ACP States stressed that much work was still required to progress beyond the narrow confines of trade events, and to embark on action to improve the internal and external structures of the ACP States by concentrating on the training of staff to handle their external trade. This

work proceeded in the course of contacts between the representatives of the ACP States and the Commission departments.

(b) *Customs cooperation*

243. The ACP-EEC Customs Cooperation Committee emphasized in its report the generally satisfactory situation regarding the application of Protocol No 1 on the definition of the concept of 'originating products'. The report also dealt with various technical problems.

At its meeting in Fiji on 13-14 April 1977 the ACP-EEC Council of Ministers adopted two Decisions derogating from the rules of origin in favour of Malawi and Kenya with regard to artificial fishing flies.¹

On 23 November 1977 the ACP-EEC Committee of Ambassadors adopted two other Decisions on derogations in favour of Mauritius with regard to unbleached fabric and canned tuna.²

The Council of the Communities adopted the Regulations implementing these Decisions.²

244. Subsequently the Community submitted a draft Decision and Statement of the Council of Ministers relating to the amendment of the movement certificates EUR 1 and EUR 2 and lists A and B of Protocol No 1 following the changes which were to be made on 1 January 1978.

(c) *Stabilization of export earnings*

245. At its meeting in Fiji the ACP-EEC Council of Ministers took note of a Commission report on the application of the stabilization system. It stressed the satisfactory results of this system, and in particular the adoption, only a few months after the Convention entered into force, of the initial Decisions on transfers (some 72 million EUC covering losses in earnings during the 1975 financial year) and the announcement of a second series of transfers for the 1976 financial year (totalling some 36 million EUC).

246. At the request of the ACP States the Community made two statements at that meeting:

¹ OJ L 139 of 7. 6. 1977.

² Regulation (EEC) No 3014/77, OJ L 355 of 31. 12. 1977 and Regulation (EEC) No 3015/77, OJ L 355 of 31. 12. 1977.

- readiness was declared, as regards the reference years, to seek individual solutions in each case for the application of the system when matters became exceptionally serious in any given year.
- assent was given to the addition of new products – i.e. vanilla, cloves, pyrethrum, wool, mohair, gum arabic and ylang-ylang – to the list of products covered by the system.

247. The ACP-EEC Council of Ministers also adopted the following:

- a Decision on the extension of the derogation referred to in Article 17 (4) of the Convention, which lays down that in certain specific cases all exports, 'irrespective of destination' must be included in the totals of transfers to certain other ACP States – i.e. Comoro State, Western Samoa, Tonga, the Seychelles and Lesotho;
- a Resolution on the achievement of common objectives regarding exports of commodities.

On that occasion the Community stated that in view of the requests submitted by the ACP States the consultations mentioned in the Resolution would concern rubber, copper and phosphates. This statement was subsequently referred to in reply to a request from Liberia that rubber should be included in the list of products covered by the stabilization system.

(d) *Sugar (implementation of Protocol No 3 annexed to the Lomé Convention)*

248. Protocol No 3 of the Lomé Convention lays down that the Community must undertake to purchase and import, at guaranteed prices, specific quantities of sugar originating in the ACP States, which these States undertake to deliver. The guaranteed prices are to be negotiated annually within the price range obtaining in the Community, taking into account all relevant economic factors.

At the meeting in Fiji of the ACP-EEC Council of Ministers the ACP States again confirmed their position on negotiating guaranteed prices for ACP sugar within the Community price range. They also pressed hard for the guaranteed prices to be retrospective. In addition they expressed their opposition to the storage levy which the Community had decided to apply to ACP sugar.

At the close of the negotiations on price guarantees for the 1977-78 marketing year between the representatives of the ACP States which export sugar and the Commission acting in accordance with the Council's directives, it was agreed that for the period between 1 May 1977 and 30 June 1978 the guaranteed prices would be 27.25 EUC/100 kg for raw sugar and 33.83 EUC/100 kg for white sugar.

In view of the change in the method of determining the Community's intervention prices and other important factors, the Community stated that it expected the guaranteed price for ACP raw sugar and the adoption of the special self-balancing storage levy system for preferential sugar to enable the ACP States to secure on the Community market during the 1977-78 delivery period a price of not less than 28.20 EUC/100 kg (35.60 EUC for white sugar).

This agreement took the form of exchanges of letters between the Community and each of the fourteen sugar-producing ACP States mentioned in Protocol No 3.¹

249. In addition, one of the provisions of Article 7 of Protocol No 3 is that if, during any delivery period, a sugar-exporting ACP State fails to deliver its agreed quantity in full for reasons other than *force majeure*, that quantity shall be reduced in respect of each subsequent delivery period by the undelivered quantity.

Certain ACP States – the Congo, Kenya, Uganda and Surinam – had not supplied the expected quantities during the 1975-76 delivery period, and the Commission decided to reduce the quantities accordingly.

The ACP States stressed the particularly serious consequences of this measure for the countries concerned. As a result the Council of the Communities stated at the meeting of the ACP-EEC Council of Ministers in Fiji that the original export quotas would be restored for these countries as a unilateral political gesture. The concession would have no retrospective effect and would not call the validity of the Commission's decisions into question, but was granted in consideration on the fact that this was the first year of application of the Protocol. The restoration of the agreed quantities was embodied in an Agreement,

¹ Regulation (EEC) No 1508/77, OJ L 168 of 6. 7. 1977.

signed on 29 June 1977, between the Community and all the ACP States covered by Protocol No 3.¹

With a view to avoiding any subsequent difficulties over the application by the Commission of the provisions of Article 7 of Protocol No 3, at the meeting of the Committee of Ambassadors of 23 November 1977 the Community and the ACP States agreed on a text concerning the definition of the concept of '*force majeure*', and covering a consultation procedure.

250. Two ACP States, Liberia and Zambia, asked to accede to Protocol No 3 on sugar. The ACP-EEC Council of Ministers took note of these requests and agreed that they should be considered, in accordance with the declaration in Annex XIII to the Final Act of the Lomé Convention.

(e) *Industrial cooperation*

251. In 1977 the individual bodies concerned with ACP-EEC industrial cooperation – i.e. the Committee on Industrial Cooperation and the Centre for Industrial Development – were set up in final form and some initial results achieved.

252. The Committee on Industrial Cooperation (CIC), set up under Article 35 of the Lomé Convention, is composed of representatives of the nine Member States, a Commission representative and a European Investment Bank representative on the one hand, and seventeen representatives of the ACP States on the other.

The composition of the Committee and its method of operation were laid down in Decisions adopted by the ACP-EEC Council of Ministers (No 1/76 and No 5/77).

On 21 March 1977 the Council adopted its rules of procedure covering, in particular, the Presidency – held for a period of six months alternately by the ACP States and the Community, in practice the representative of the Member State acting as President of the Council of the Communities – the venue of meetings, the quorum, the participation of the Centre for Industrial Development, the proceedings of the Committee, and the services of the Secretariat provided by the Secretariat of the Council of Ministers.

¹ Regulation (EEC) No 1394/77, OJ L 158 of 29. 6. 1977.

In 1977 the Committee on Industrial Cooperation held six meetings.

253. The Centre for Industrial Development (CID) is directed, controlled and monitored by the Committee on Industrial Cooperation. It fulfils the functions laid down in Article 36 of the Lomé Convention. Its rules of procedure and method of operation are laid down in Decision No 2/76 of the ACP/EEC Council of Ministers, which specifies that its seat should be in Brussels. Acting on proposals received from the Community and the ACP States respectively, the Committee appointed Mr Roger Theisen to be Director of the Centre and Dr Isaac Adedayo Akinrele its Deputy Director.

There is an Advisory Council, whose members have industrial experience and are selected on a personal basis according to their qualifications and experience from among nationals of the Contracting States to the Convention.

Its task is to advise and assist the Director of the Centre, and it is consulted by him on all major questions arising from the Centre's work programme. Eight members were nominated by the Community and six by the ACP States with a view to appointment by the Committee on Industrial Cooperation.

The Committee adopted a Decision laying down the conditions of employment of the staff of the Centre (Decision No 2/77/CIC).

The Committee adopted the Centre's Financial Regulation (Decision No 3/77/CIC).

The arrangements applicable to the staff of the Centre as regards taxation, social security and jurisdiction were adopted by a Decision of the ACP-EEC Council of Ministers of 14 April 1977 (Decision No 6/77).

The Committee began discussions on the procedures for consultation on economic and social matters.

In accordance with the proceedings laid down by the Decision relating to the Centre's rules of procedure and method of operation, the Committee finalized the Centre's draft budget for 1977 on the basis of a work programme and a preliminary draft submitted by the Director. Subsequently its final assent was given to the budget for 1977, on the basis of the decision regarding the contribution from the European

Development Fund. This budget amounts to 1 300 000 EUC, expenditure and revenue.

The office of the Director of the Centre issued reports on the Centre's activities and internal organization, and these were discussed in detail by the Committee on Industrial Cooperation. The Community proposed that at a later stage there should be a dialogue on the guidelines to be given to the Centre, and stated its intention of presenting proposals on this matter. The Committee expressed its intention of continuing and stepping up its efforts to enable all the ACP States to benefit from this new form of cooperation, in accordance with their aspirations and objectives with regard to development, and also taking account of the advantages which the business community would derive from participation in this industrial development project.

(f) *Financial and technical cooperation*

254. Work on financial and technical cooperation continued at a steady pace.¹

255. The Commission produces an annual report in cooperation with the European Investment Bank on the administration of financial and technical cooperation. The 1976 report was examined by the ACP-EEC Council of Ministers, and a Resolution on financial and technical cooperation adopted at its meeting on 14 April 1977 in Fiji.

This Resolution is concerned with general objectives and the application of certain specific provisions of the Convention – i.e. measures to help the least-developed ACP States, regional cooperation, micro-projects, finance for small and medium-sized undertakings, technical assistance and transfer of technology. It also concerns the training of managerial staff, vocational training, the operation and maintenance of investments, the award of EDF contracts to ACP States, and reports on completed projects.

256. The subsequent proceedings of the ACP-EEC Committee of Ambassadors or the appropriate subcommittee concerned the following matters:

- the draft fiscal and customs regulations applicable in the ACP States to contracts and agreements financed by the Community (Article 60 of the Lomé Convention);

¹ See paragraph 228 of this Review.

- the annual report on technical and financial cooperation, including an assessment of the effects and results of investments financed under the Convention, and on the implementation of regional cooperation;
- the problems of the least-developed countries – landlocked countries and islands – regarding which the Fiji Resolution made specific recommendations, *inter alia* that an ACP-EEC sub-committee be set up to study their particular problems;
- the procedure for implementing micro-projects;
- other measures for applying the provisions of the Lomé Convention in the field of financial and technical cooperation.

257. In addition, following the accession of new States to the Convention, at its meeting in Fiji the ACP-EEC Council of Ministers took certain decisions relating to the amendment of the list in Article 48 of the Lomé Convention covering the least-developed ACP States. These were that the Comoro State and the Seychelles should be added to the list, and a declaration of intent providing that São Tomé and Príncipe, and Cape Verde should also be added to the list once they have acceded to the Convention.

Regarding internal matters, the Council continued its work of finalizing the proposals the Community is called upon to submit to the ACP States, in particular as regards the general clauses and conditions applicable to the award and execution of public contracts financed by the EDF.

On 28 October 1977 the Council laid down the time-table for the contributions of the Member States under the third EDF (17 million EUC) and the fourth EDF (278 million EUC) for 1978.

258. In addition, on 21 November 1977 the Council adopted a Decision amending certain provisions in the EDF Committee's rules of procedure. This was in response to the wish of the ACP States to accelerate the implementation of micro-projects financed by the EDF by providing for the corresponding EDF appropriations to be mobilized as quickly as possible through the institution of a simplified procedure for approving these projects.

259. Lastly, on 21 November 1977 the Council adopted three Decisions giving a discharge to the Commission in respect of the

execution of the projects covered by the first, second and third EDFs for 1977.

(g) *Institutional matters*

260. At its meeting on 13-14 April 1977 the ACP-EEC Council of Ministers adopted its annual report (under Article 74 (5) of the Convention), and decided to submit it to the ACP-EEC Consultative Assembly as a progress report (Article 80 (4)).

This annual report covering the period 1 April 1976 – 31 March 1977 formed the basis of the proceedings of the ACP-EEC Consultative Assembly which held its annual meeting on 8-10 June 1977 in Luxembourg, following a meeting of the Joint Committee on 6-7 June. The ACP-EEC Council of Ministers had designated its President, Mr Matoka (Zambia) to represent it at this meeting, which was also attended by the Dutch Secretary of State, Mr Brinkhorst, in his capacity of President of the Council of the European Communities, and Mr Cheysson, Member of the Commission. The Consultative Assembly adopted a Resolution which was submitted to the ACP-EEC Council of Ministers and the Commission of the Communities, together with the Parliamentary report on these matters.

261. The ACP-EEC Joint Committee, which met in Maseru (Lesotho) from 28 November to 1 December 1977, concentrated on current problems connected with the Lomé Convention and preparatory work for negotiations to settle ACP-EEC relations as from 1 March 1980. The Belgian Minister, Mr Outers, represented the ACP-EEC Council of Ministers and the Council of the European Communities at this meeting, which was also attended by Mr Matoka and Mr Cheysson. The Joint Committee also discussed the situation in southern Africa and adopted declarations and resolutions of which the ACP-EEC Council of Ministers was informed.

262. A meeting between the members of the Joint Committee and representatives of the economic and social sectors was arranged on the occasion of the annual meeting of the ACP-EEC Consultative Assembly.

The Community had previously made suggestions regarding contacts with these sectors, and the ACP States also stated their position on this matter at the meeting of the ACP-EEC Committee of Ambassadors on 23 November 1977. Lastly, the ACP-EEC Joint

Committee laid down that a report should be drawn up with a view to examining procedures for closer cooperation with the representatives of the economic and social sectors.

263. The Community made some suggestions to the ACP States for improving the working methods of the ACP-EEC Council of Ministers, in particular with regard to facilitating the drawing up of agendas. These suggestions were favourably received.

264. Lastly, at the request of the ACP States, the Community took the necessary measures for contributing through the EDF, to the financing of experts who were to strengthen the General Secretariat of the ACP States in Brussels.

(h) *Accessions to the Lomé Convention*

265. On 28 March 1977 the Community and the Member States signed three Agreements, which are at present being ratified, with Cape Verde, São Tomé and Príncipe, and Papua New Guinea, with a view to the accession of these countries to the Lomé Convention under its Article 90. On the same date the Member States signed an Agreement amending the Internal Agreement of 1 July 1975 on the financing and administration of Community aid.

Under this Agreement the Member States increased the total of financial aid available, under the Lomé Convention and the 1976 Decision on the association of the OCT, by 9.50 million EUC.

The Community laid down interim arrangements to allow the anticipated implementation, in certain spheres, of the Lomé Convention in respect of these three States.¹

266. In addition, following the independence of Djibouti, the Council of the Communities decided to apply provisionally to the Republic of Djibouti the arrangements laid down under Decision No 76/568/EEC on the association of the OCT with the EEC.² Subsequently the Council of the Communities and the Council of ACP Ministers gave their assent to the accession of the Republic of Djibouti to the Lomé Convention under its Article 89. This accession was effective as from 2 February 1978.

¹ Regulation (EEC) No 744/77, OJ L 90 of 8. 4. 1977.

² OJ L 176 of 1. 7. 1976 (see Council Decision No 77/474/EEC, OJ L 191 of 30. 7. 1977).

267. This meant that the total number of signatories to the Lomé Convention, besides the Community and its Member States, rose to 53 ACP States.

2. THE ASSOCIATION OF OVERSEAS COUNTRIES AND TERRITORIES

268. As a consequence of the accession in 1976 to the Lomé Convention of three overseas countries or territories which had become independent – Surinam, the Seychelles and the Comoro State – and of the intentions expressed when the Guidance Section of the EAGGF was extended to the French overseas departments, the Council decided to adjust the amounts made available to the EDF (1975) for the ACP States on the one hand, and for the overseas countries and territories and the French overseas departments on the other.¹

In connection with the accessions to the Convention, on 22 March 1977 the Council adopted a Decision allocating to the EDF (1975) a sum of 7 438 500 EUC arising from various products, payments and revenues from operations financed from the second and third European Development Funds. The Internal Agreement amending the Internal Financial Agreement of 1975 was signed on 28 March 1977, and also takes account of these facts.

269. The Council adopted Regulation (EEC) No 328/77 of 14 February 1977¹ amending Regulation (EEC) No 706/76 on the arrangements applicable to agricultural products originating in the ACP States or the overseas countries and territories as regards the list of countries and territories.

270. In addition the Council adopted Regulation (EEC) No 329/77 of 14 February 1977¹ amending Regulations (EEC) No 1464/76 and 1465/76 on the opening, allocation and administration of Community tariff quotas for rum, arrack and tafia originating in the ACP States and the associated overseas countries and territories.

271. Lastly, the Council adopted Regulation (EEC) No 1378/77 of 21 June 1977² opening a tariff quota for the period July 1977 to June 1978 of 71 571 hectolitres of pure alcohol for rum originating in the OCT.

¹ OJ L 46 of 18. 2. 1977.

² OJ L 157 of 25. 6. 1977.

E – Relations with the countries of the Mediterranean Basin and the Euro-Arab Dialogue

1. THE OVERALL APPROACH IN RELATIONS BETWEEN THE COMMUNITY AND MEDITERRANEAN COUNTRIES

(a) Finalization of the overall approach in 1977

272. In 1977 further progress was made towards finalizing the overall approach policy which the Community has followed since 1972 *vis-à-vis* the Mediterranean countries.

Early in the year the Cooperation Agreements negotiated in 1976 with the ARE, Jordan and Syria were signed in Brussels at a joint ceremony.¹

The Additional Protocol to the 1975 Agreement with Israel, also negotiated in 1976, was signed in Brussels in February 1977.²

It had not been possible to enter into negotiations with the Lebanon in 1976 because of the situation in that country, but these were finalized in February 1977, so that the Agreements negotiated with this country were signed in Brussels in May 1977.¹

On the occasion of the signing of these agreements Mr Boutros, the Lebanese Vice-President and Minister for Foreign Affairs, requested the Community to grant exceptional aid in the form of loans from the European Investment Bank to help in the reconstruction of the Lebanon.

The Council consulted the European Investment Bank on this matter, and on 20 December 1977 agreed to request the EIB to commit 20 million European units of account from its own resources in order to provide Lebanon with exceptional aid in the form of ordinary loans for the reconstruction projects.

The Cooperation Agreement signed with the four Mashreq countries are in addition to the Agreements signed between the Community and the Maghreb countries, and the links established by the Community with other Arab countries under the Lomé Convention, i.e. Mauritania and Somalia. Thus these Agreements consolidate relations between the Community and the Arab League countries.

¹ For the content of the Agreements see paragraph 273 of this Review.

² For the content of the Protocol see paragraph 277 of this Review.

The Protocol signed with Israel demonstrates that the Community has adhered to its policy of balance which forms the very basis of the definition of the Community's overall approach in the Mediterranean.

In view of the expiry of the first stage of the EEC-Cyprus Association Agreement on 30 June 1977, and also the fact that Cyprus is one of the countries covered by the Community's overall approach, on 3 May 1977 the Council drew up directives for opening negotiations with that country with a view to concluding an Additional Protocol to the Association Agreement and a Financial Protocol. The negotiations were completed on 29 June 1977.

The Additional Protocol to the Agreement establishing an association between the European Economic Community and the Republic of Cyprus and the Financial Protocol were signed on 15 September 1977 in Brussels.

With regard to Spain, application for membership of the European Communities was submitted on 28 July 1977, and efforts were made in the course of that year to find ways of regularizing relations between the enlarged Community and Spain and broadening the bases of the 1970 Agreement.

It will be recalled that in 1976 the Spanish delegation had intimated that it expected to be in a position to submit an application for membership in the near future and that it was therefore intended to negotiate merely an Additional Protocol to the 1970 Agreement, and not the type of agreement envisaged under the Community's overall Mediterranean policy.

On 28 July 1977 the Spanish Minister for Foreign Affairs, Mr Oreja, submitted to the President-in-Office of the Council three letters from the President of the Spanish Government, Mr A. Suarez, to the President of the Council of the European Communities in which Mr Suarez informed him of Spain's application to become a member of the three European Communities.

At its meeting on 19-20 September 1977 the Council of the Communities instructed its President to acknowledge receipt of this application and decided to initiate the Community procedure laid down in Article 237 of the Treaty of Rome, by requesting the Commission to deliver its opinion on Spain's application.

At its meeting on 5 April 1977 the Council adopted directives to be issued to the Commission with a view to negotiating with Spain an Additional Protocol to the 1970 Agreement which, by means of technical adaptations, would regularize relations between Spain and the Community by the end of the transitional period laid down in the Act of Accession of the United Kingdom, Denmark and Ireland to the Communities.

Negotiations were accordingly held with Spain in May and June 1977. Since it was not possible to conclude this Protocol by 1 July 1977, the matter was resolved by agreeing that the Community and Spanish parties to the negotiations should inform each other of the trade arrangements which would be applied autonomously by each side as from 1 July 1977. As far as the Community was concerned this resulted in the adoption of Council Regulations amending for 1977 the Community tariff quotas for certain products originating in Spain.¹

In addition, both parties considered that negotiations should be resumed as soon as possible, in particular with a view to enlarging the bases of the 1970 Agreement.

On 20 December 1977 the Council issued negotiating directives to the Commission with this end in view.

As regards Malta, at its meeting on 5 April 1977 the Council issued negotiating directives to the Commission with a view to concluding an Additional Protocol with that country so as to specify the trade arrangements between the Community and Malta as from 1 July 1977. The first phase of the Association Agreement was due to expire on 30 June 1977 and negotiations were held in May and June 1977. The Additional Protocol was signed on 27 October 1977² in Brussels, and entered into force on 1 January 1978.³

Lastly as regards relations with Israel, the ARE, Jordan, the Lebanon and Turkey, on 24 August 1977 the Commission submitted to the Council a communication recommending that it be authorized to negotiate, during review of the Agreements with these countries, an improvement in the Community tariff concession on oranges and certain other citrus fruits. The Council considered the matter on 20 December

¹ OJ L 189 of 29. 7. 1977.

² Regarding the content of the Protocol, see paragraph 278 of this Review.

³ OJ L 304 of 29. 11. 1977.

1977 and agreed to instruct the Permanent Representatives Committee to examine the various possible solutions.

(b) *The new Agreements*

(i) Arab Republic of Egypt, Jordan, Syria and the Lebanon

273. The Cooperation Agreements negotiated in 1976 with the Arab Republic of Egypt, Jordan and Syria were signed in Brussels on 18 January 1977. The Cooperation Agreement with the Lebanon was signed in Brussels on 3 May 1977. In addition to these Cooperation Agreements other Agreements were signed with these four Mashreq countries on products covered by the ECSC and also Interim Agreements anticipating the entry into force of the provisions concerning those sections of the Cooperation Agreements dealing with trade. The Interim Agreements entered into force on 1 July 1977. The Cooperation Agreements and ECSC Agreements are subject to ratification under national procedures and will enter into force when these procedures have been completed.

Pending the entry into force of the Agreements on the products covered by the ECSC, on 28-29 June 1977 the representatives of the Member States and the ECSC, meeting within the Council, adopted provisions opening autonomously from 1 July 1977 tariff preferences for products covered by that Community and originating in the above countries.¹

274. The main features of the Cooperation Agreements with the Mashreq countries are as follows: no expiry date has been specified; the Agreements are comprehensive, providing for almost all forms of cooperation; they are flexible, covering provision for a general review; they will largely be operated by bodies set up for the purpose.

The fact that the Cooperation Agreements have no expiry date reflects the wish of the Community and its partners to establish relations which in principle are irreversible.² However, it should be noted that the Financial Protocols are of limited duration, and expire on 31 October 1981.

¹ OJ L 169 of 7. 7. 1977.

² The Agreements include a denunciation clause specifying one year's notice.

The Cooperation Agreements are comprehensive in that they make the following provisions:

- they institute technical and economic cooperation over a broad front, and this cooperation covers wide areas which are specified in a non-restrictive way in the Agreements.¹ Ways and means of implementing the provisions on cooperation will be sought by the bodies provided for in the Agreements;
- provision is made for financial cooperation designed to reinforce the technical and economic cooperation. This financial cooperation with the four Mashreq countries amounts to 30 million EUC for the four countries concerned over the period up to 31 October 1981. This amount is broken down as follows:
 - 170 million EUC for the ARE
(EIB loans: 93; gifts: 63; special loans: 14);
 - 60 million EUC for Syria
(EIB loans: 34; gifts: 19; special loans: 7);
 - 40 million EUC for Jordan
(EIB loans: 18; gifts: 18; special loans: 4);
 - 30 million EUC for Lebanon
(EIB loans: 20; gifts: 8; special loans: 2);
 - the Agreements include a section of supplement² on trade which makes provision for duty-free importation by these countries into the industrial sector of the Community as from 1 July 1977 (with certain safeguards on specific products considered sensitive in the Community) and for a number of concessions, mainly tariff concessions, in the agricultural sector.

The flexibility of these Cooperation Agreements is stressed by a general review clause which will allow the contracting parties at certain times to review the effects of the Agreements and to consider any improvements which may be needed on either side. The first review is to

¹ For further details see the joint press release published when the Agreements were signed (see Docs. 40/77 (PRESSE 3) and 539/77 (PRESSE 58).

² The ARE was linked to the Community by a Preferential Trade Agreement which entered into force on 1 November 1973 (see 20th Review, paragraph 315 and 21st Review, paragraph 422). The Cooperation Agreement annuls and replaces the former Agreement.

take place in early 1979, and any resulting improvements will enter into force as from 1 January 1980.

With regard to the administrative bodies, the Agreements lay down that a Cooperation Council, composed of representatives of the Community and its Member States and representatives of the country concerned, will ensure the sound management of the Agreements in trade matters. It will also lay down general guidelines for cooperation and seek ways and means of putting this cooperation into practice.

275. With a view to the entry into force on 1 July 1977 of the Interim Agreements signed with these countries at the same time as the Cooperation Agreements,¹ the Council adopted a number of Regulations implementing these Interim Agreements.² On 28 November 1977 other implementing Regulations were adopted by the Council covering 1978.³

276. In addition, in October 1977, as part of the work preparatory to implementing the provisions for cooperation with the Mashreq countries, the Commission submitted to the Council a communication on guidelines for cooperation with some of these countries. This communication is being examined within the Council.

(ii) Israel

277. The Additional Protocol negotiated in 1976 with Israel, which includes a Financial Protocol, was signed in Brussels on 8 February 1977. The object of the Protocol is to supplement the EEC-Israel Agreement of 11 May 1975, which contained a substantial section on trade and provided for cooperation as a factor complementary to trade.⁴

This Protocol provides for the institution of wider cooperation between the Community and Israel. The object of this cooperation is to contribute to the development of Israel and to reinforce the links between that country and the Community on a mutually advantageous basis. As in the case of the Mashreq countries the spheres of action for this cooperation and the responsibilities of the bodies concerned are specified in the Additional Protocol.⁵

¹ See paragraph 273 et seq. of this Review.

² OJ L 186 of 26. 7. 1977.

³ OJ L 331 of 23. 12. 1977.

⁴ See 23rd Review, paragraph 249 et seq.

⁵ For further details see the joint press release issued when the Additional Protocol was signed in Brussels (see Doc 165/77 (PRESSE 14)).

This cooperation will be backed by financial cooperation which will take the form of loans from the EIB up to a value of 30 million EUC over the period up to 31 October 1981. These will be granted from the Bank's own resources under normal contract terms.

The Joint Commission set up under the 1975 Agreement will be replaced by a Cooperation Council which will be analogous as regards composition, task and operation to that covering the Mashreq countries.

Since the Additional Protocol is subject to ratification under national procedures, it will enter into force when these procedures have been completed.

(iii) Malta

278. The Additional Protocol to the Association Agreement between the Community and Malta, which was negotiated in the first half of 1977,¹ was signed in Brussels on 27 October 1977. The purpose of this Additional Protocol is to lay down the arrangements for a further extension, from 1 July 1977, of the trade provisions of the first stage of the Association Agreement, due to expire on 30 June 1977.²

Provision is made for the first stage of the Association Agreement to be extended until 31 December 1980 with certain improvements made on both sides, and for negotiations to take place during the twelve months preceding the above expiry date so as to determine the content of the second stage of the Association Agreement.

The improvements which the Community is proposing for the benefit of Malta provide for the duty-free entry of industrial products³ – a number of safeguards still being taken as regards imports of certain textiles – certain concessions for a number of processed agricultural products, the maintenance by the United Kingdom and Ireland until 31 December 1980 with certain improvements made on both sides, and for negotiations to take place during the twelve months preceding the above expiry date so as to determine the content of the second stage of the Association Agreement.

The improvements which the Community is proposing for the benefit of Malta provide for the duty-free entry of industrial products³ – a

¹ See paragraph 272 of this Review.

² See 24th Review, paragraph 231.

³ Instead of the 70 % tariff reduction at present laid down in the Association Agreement.

number of safeguards still being taken as regards imports of certain textiles – certain concessions for a number of processed agricultural products, the maintenance by the United Kingdom and Ireland until 31 December 1977 of 'Commonwealth arrangements' for some agricultural products, and a number of derogations, of limited duration, from the origin rules for certain products manufactured in Malta and exported to the Community.

On its side, Malta will consolidate the tariff reductions currently being granted to the Community. Furthermore, pursuant to the review clause contained in the 1976 Protocol,¹ in 1978 the two parties will review the possibility of additional tariff reductions being granted by Malta to the Communities.

279. On 25 July 1977 the Council adopted autonomous measures extending certain provisions in the first stage of the Association Agreement with Malta until the entry into force of the Additional Protocol on 1 January 1978.²

(iv) Cyprus

280. The Additional Protocol to the Agreement establishing an association between the European Economic Community and the Republic of Cyprus³ and the Financial Protocol were signed in Brussels on 15 September 1977.

Because of the time needed for the Additional Protocol to enter into force the two delegations agreed during the negotiations to extend, from 1 July 1977 to 31 December 1977 at the latest, the trade arrangements established by the Association Agreement. This was to be achieved by autonomous measures taken by both parties, on the understanding that the *status quo* regarding imports into the United Kingdom and Ireland was also maintained until 31 December 1977 in respect of the products for which the transitional period following the accession of these countries to the Community came to an end on that date.⁴

When it became apparent, at the end of 1977, that the Additional Protocol could not enter into force on 1 January 1978, the Council

¹ See 24th Review, paragraphs 214 and 215.

² OJ L 188 of 28. 7. 1977.

³ OJ L 339 of 28. 12. 1977.

⁴ Regulation (EEC) No 1641/77, OJ L 183 of 22. 7. 1977.

adopted a Regulation¹ extending these autonomous measures until the entry into force of this Protocol, with the exception, in view of the expiry date of the transitional period relating to accession, of the measures concerning the maintenance of the *status quo* regarding imports of certain products into the United Kingdom and Ireland.

281. Cyprus sherry is not covered by the Additional Protocol, and the Community extended autonomously,² from 1 July 1977 to 31 December 1977, the previous arrangements for this product, so that for this six-month period Cyprus would enjoy a quota of 100 000 hl free of duty and countervailing charges.

282. The aim of the Additional Protocol is to extend to 31 December 1979 the first stage of the EEC-Cyprus Association Agreement, due to expire on 30 June 1977. Thus the Protocol gives both parties a further period in which to prepare for the transition to the second stage of the Association Agreement, which provides for the establishment of a customs union with Cyprus. A further aim of the Additional Protocol is to set up economic cooperation with Cyprus.

283. The Financial Protocol provides for a sum of 30 million EUC to be made available to Cyprus over a period of five years. This amount is made up of 20 million EUC in the form of loans from the EIB's own resources, 4 million EUC in the form of loans on special terms and 6 million EUC in the form of non-repayable aids.

The Financial Protocol will enter into force once it has been ratified by Cyprus and the Member States of the Community.

284. During the negotiation of these two Protocols and at the time when they were signed the Community confirmed that its position – as stated when the Association Agreement was signed in 1972 and subsequently reiterated – remained unchanged: namely, that the benefits accruing to Cyprus under the Association Agreement and henceforth likewise under the two abovementioned Protocols which formed an integral part of it, should benefit the Cyprus population as a whole.

285. The extension of the trade arrangements under the Additional Protocol is in fact somewhat more than a simple extension, since both parties agreed on certain additions.

¹ OJ L 340 of 29. 12. 1977.

² Regulation (EEC) No 2561/77, OJ L 299 of 23. 11. 1977.

286. In the industrial sector the Community undertook that when the Additional Protocol entered into force industrial products from Cyprus would be duty-free with the exception of certain goods such as pasta products, fancy cakes and other fine bakers' wares, vermouth, spirituous beverages, etc.

In return Cyprus undertook to grant the Community the following reductions as from 1 July 1978:

General arrangements:	35 %
List A:	20 %
List B (exceptions):	16.5 % average

287. As regards agricultural matters, it was laid down in an exchange of letters dated 15 September 1977 between the head of the Cyprus delegation and the head of the Community delegation, following the negotiations the Additional Protocol,¹ that the Community would do all in its power to ensure that negotiations on agricultural matters took place in good time so that the agreements arising from these negotiations could be implemented on 1 January 1978.

In accordance with this exchange of letters, on 20 December 1977 the Council adopted draft negotiating directives on the conclusion of a Protocol laying down trade arrangements in the agricultural sector between the Community and Cyprus.

These draft directives had already been agreed in principle by the Council at its meeting on 21-22 November 1977 and notification was made by the Community delegation at the meeting of the Association Council on 22 November 1977. Negotiations began with Cyprus on the basis of these directives on 22 December 1977.

Since it was obvious at that time that any measures resulting from these negotiations could not enter into force on 1 January 1978, and in order to avoid the application of 'third country' arrangements to imports into the Community of agricultural produce from Cyprus, on 29 December 1977 the Council adopted autonomously a Regulation² bringing into force as from 1 January 1978 the concessions in the agricultural sector contained in the negotiating directives mentioned above. These concessions would remain applicable until the entry into

¹ OJ L 339 of 28. 12. 1977.

² OJ L 355 of 31.12.1977.

force of the Protocol specifying trade arrangements with Cyprus in the agricultural sector, or until 31 March 1978 at the latest.

288. On 29 December 1977 the Council adopted a Regulation providing for the existing arrangements regarding Cyprus sherry to be extended until 28 February 1978.¹

(c) *Report on the Community's Mediterranean policy*

289. In its Resolution of 19-20 July 1976 the Council recalled that since 1975 it had been stressing the fact that producers could not bear the full burden of the results of the Community's open policy towards the outside world, and went on to instruct the Commission to prepare a report on Mediterranean policy and to submit at the same time any proposals which might appear necessary to allay the fears of certain Member States regarding the overall repercussions of the Mediterranean policy and any further concessions to third countries in this area on Community agricultural producers.

The political implications of this important matter are obvious, particularly with regard to the question of enlargement and Mediterranean policy, and it is being studied by the Council on the basis of initial concrete proposals submitted by the Commission in December 1977.

2. IMPLEMENTATION OF EXISTING AGREEMENTS WITH MEDITERRANEAN COUNTRIES

(a) *Association Agreements*

(i) *Greece¹*

290. Since the two parties to the Agreement considered that the work relating to the application for accession to the European Communities made by Greece in 1975 should not slow down the development of the Association, in accordance with the Athens Agreement, this Association continued to operate during 1977 according to its own specific rules.

291. This meant that the negotiations between Greece and the Community on the conclusion of a second Financial Protocol, which

¹ OJ L 355 of 31. 12. 1977.

² For matters relating to the accession negotiations with that country see paragraph 317 of this Review.

were opened in 1976,¹ were concluded at the meeting of the EEC-Greece Association Committee on 13 January 1977. The Community delegation stated at the meeting that it was prepared, subject to confirmation, to meet certain requests from Greece on shortening the period covered by the second Financial Protocol and inserting into it certain provisions which would make for the early release of Community financial aid immediately after the entry into force of the Protocol. The Council of the Communities approved the Community position at its meeting on 18 January 1977, and the second Financial Protocol between the EEC and Greece was signed in Brussels on 28 February 1977.

The Protocol is at present undergoing the ratification and agreement procedures of the Contracting Parties, and a favourable Opinion was delivered by Parliament on 15 June 1977.

The total amount for which provision is made in the second EEC-Greece Financial Protocol, which covers a period ending on 31 October 1981, is 280 million EUC. This amount is divided into three parts — i.e.:

— 225 million EUC will be granted in the form of loans from the European Investment Bank's own resources and under normal contract terms.

Of these 225 million EUC a maximum of 150 million, which are intended for infrastructure projects, may benefit from a 3 % interest rebate per annum, to be granted from budgetary funds;

— 45 million EUC from budgetary resources will be allocated in the form of non-repayable aid;

— 10 million EUC will also be allocated from budgetary resources and may take the form of special loans. These will be for a period of thirty years, repayments to start after eight years, and an annual interest rate of 2.5 %.

292. The main problem which the Council departments had to resolve in the agricultural sector in 1977 concerned the Community arrangements for imports of Greek wines as from 29 April 1977.

The policies of Greece and the Community in the wine sector were not harmonized during the two-year period following the statement

¹ See 24th Review, paragraph 222.

on harmonization under Article 35 of the Athens Agreement, issued at the Association Council meeting on 28 April 1975. The Community therefore considered that the arrangements made under Protocol No 14 of the Athens Agreements could not remain in force beyond 28 April 1977. These made provision for different systems to operate with regard to the various Member States and were thus incompatible with the common organization of the wine market.

Note was taken of the Greek position on this matter during an Association Council meeting held at ambassadorial level on 27 April 1977, and, following detailed discussions between the Nine, the autonomous Community arrangements replacing those laid down in Protocol No 14 mentioned above were brought into force by Council Regulation (EEC) No 1082/77 of 25 May 1977.¹ Under these new arrangements a Community tariff quota was opened for an annual volume of 420 000 hl of Greek wines, on which the CCT rate of duty was reduced by 85 %.

293. When the arrangements covering the importation of Greek wines into the Community were being determined for 1978, the Council went some way to meeting Greece's reservations over the arrangements provided for by Regulation (EEC) No 1082/77 mentioned above, particularly regarding exports of wine from Samos, by increasing the volume of the Community tariff quota to 430 000 hl and making some adjustments to the distribution of the first tranche of this quota among the Member States.²

294. In addition, the Greek delegation took the opportunity at the Association Council meeting of 22 July and the Association Committee meeting of 25 October 1977 of protesting against the measures implementing Community regulations which affected a number of its main agricultural exports, i.e. peaches, tomato concentrates and olive oil.

295. In addition, the Association Committee examined on several occasions a number of questions relating to the establishment and operation of the customs union under the Athens Agreement, with particular reference to the customs arrangements for the Dodecanese, certain problems relating to the conversion by Greece of its specific

¹ OJ L 131 of 26. 5. 1977.

² OJ L 320 of 15. 12. 1977.

duties into *ad valorem* duties, the arrangements governing imports made by monopolies in Greece and the arrangements governing regional or preferential imports.

296. In March 1977 the Association Committee held two meetings to discuss measures to resolve the difficulties which had arisen in the cotton textiles sector in most of the Member States following the substantial rise in imports from non-Community suppliers, including Greece. At a later date these problems were discussed, on the Council's instructions, during conversations between the Commission departments and the representatives of Greece. The talks were held in the wider context of the efforts made by the Community to re-establish an orderly situation in the Community market for textile imports, and with regard to the special Association relations between Greece and the Community.

297. Apart from the two meetings mentioned above held at ambassadorial level on 27 April and 27 July 1977 to deal with specific problems, particularly in the agricultural sector, the Association Council met at ministerial level on 19 December 1977. At this meeting the two delegations reviewed developments in the Association since the previous Ministerial Meeting in July 1976.

298. The EEC-Greece Joint Parliamentary Committee held one meeting in 1977 – on 17-18 May 1977 at Mitilini, when the Council was represented by its President, Mr J. Tomlinson, United Kingdom Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office. At this meeting Mr Tomlinson spoke on behalf of the Council and replied to various questions from members of the Parliamentary Committee, thus demonstrating the value attached by the Council to the proceedings of that body.

(ii) Turkey

299. Among the tasks relating to the EEC-Turkey Association carried out under Council auspices during 1977 particular attention should be drawn to the work which led to the signing of the third Financial Protocol on 12 May 1977 in Brussels, the work concerning the implementation of the decision adopted by the EEC-Turkey Association Council on 20 December 1976 on Community concessions under the second agricultural review, and the work concerning the measures to be taken

to overcome the growing difficulties experienced by the cotton textiles industry in the Community as a result of increasing imports, particularly of cotton yarn, at very low prices from certain non-Community suppliers, including Turkey.

300. At the end of the second half of 1977 the Council of the Communities adopted a number of Regulations on the arrangements to be applied by the Nine in 1978 to imports of certain Turkish products, in accordance with the relevant provisions of the Additional Protocol and of the Council Decision of June 1973 to grant Turkey no less favourable treatment than that granted to the countries which enjoy generalized preferences. Two of these Regulations¹ provide for Community tariffs to be opened for hazelnuts, cotton yarn and woven fabrics (headings 55.05 and 55.09) and knotted carpets under subheading ex 58.01 A II. A third Regulation² establishes a ceiling of some 391 000 tonnes for imports into the Community of certain Turkish petroleum products.

In this way the Community met repeated requests by Turkey for the tariff quotas, laid down for these products in Annex 1 of the Additional Protocol, to be replaced by ceilings, as established some time ago under the Community scheme of generalized preferences. Lastly, the fourth of these Regulations² lays down the arrangements applicable to certain Turkish agricultural products pursuant to the Decision adopted by the Council in June 1973, in conjunction with the Community scheme of generalized preferences.

301. As regards the Association bodies, during 1977 the EEC-Turkey Association Council did not meet. The Association Committee met four times.

The meeting which the Joint Parliamentary Committee should have held in spring had to be postponed because of the anticipated elections which were held in Turkey in June 1977.

302. The third Financial Protocol between the EEC and Turkey was signed on 12 May 1977. It is at present undergoing ratification and approval procedures by the Contracting Parties. Parliament delivered its Opinion in October 1977.

¹ OJ L 331 of 23. 12. 1977 and OJ L 319 of 14. 12. 1977.

² OJ L 319 of 14. 12. 1977.

It should be stressed that Turkey, which is associated with the EEC by the Ankara Agreement signed in 1963, is the only Mediterranean country to conclude a third Financial Protocol with the Community. This differs from the second Financial Protocol, which expired in May 1976, in the following particulars:

- the Protocol covers a period ending 31 October 1981 and provides for a total of 310 million u.a., compared with 267 million u.a. under the second Financial Protocol, as supplemented by the Additional Protocol on enlargement, signed on 30 June 1973. This amount is made up as follows: 220 million u.a. from budgetary resources, allocated to special loans; and 90 million u.a. from the EIB's own resources, allocated to the financing of projects which will yield a normal return;
- the procedure for granting loans from budgetary resources has been improved compared with that laid down in the second Financial Protocol in that the duration of the loan is increased from thirty to forty years and the period of grace from eight to ten years. There is a single rate of interest, i.e. 2.5 % per annum, whereas under the second Financial Protocol provision was made for two rates of interest, one for projects yielding a normal return and another for projects where the yield was either long-term or not readily quantifiable.

303. In February and March 1977 the Association Committee held two meetings on the measures to be taken to resolve the difficulties which had arisen in the cotton yarn sector in most of the Member States following the substantial rise in imports from suppliers outside the Community, of whom Turkey was the largest. After long discussions in the Association Committee meeting on 15 and 16 March 1977 agreement was reached between the two delegations.

At a later date the problems regarding textiles were discussed, on the Council's instructions, during conversations between the Commission departments and the representatives of Turkey. The talks were held in the wider context of the efforts made by the Community to re-establish an orderly situation in the Community market for textile imports, and with regard to the special Association relations between Turkey and the Community.

(iii) Malta

304. The EEC-Malta Association Council met at ambassadorial level on 24 March 1977 in Brussels.

At this meeting the two delegations stated their views on a number of problems relating to the operation, application and development of the Association Agreement and the implementation of the policy of cooperation between the Community and Malta.

As regards the last mentioned, the Maltese delegation laid particular stress on certain items of concern and certain *desiderata*.

The Community delegation replied that it was prepared to play an active part in carrying out the detailed work relating to the determination of guidelines for cooperation and declared its readiness to discuss other wishes expressed by the Maltese delegation.

305. In addition, in a letter to the President of the Council dated 24 June 1977, Mr Dom Mintoff, Prime Minister of the Republic of Malta, drew the Council's attention to certain aspects of the relations between Malta and the Community, stressing his concern as regards his country's economic development. In his reply dated 18 October 1977 the President of the Council confirmed that the Community was ready to join with Malta in seeking solutions to practical problems, using all the means at its disposal.

306. On 8 November 1977 the Commission submitted to the Council a draft Association Council Decision laying down the guidelines for cooperation between the Community and Malta. The draft is being examined within the Council.

307. With regard to the implementation of the provisions of the Association Agreement relating to trade, on 28 November 1977 the Council adopted a number of Regulations for 1978. These Regulations are mainly concerned with certain products originating in Malta, such as textiles and preserved bovine meat.¹

In addition, on 12 December 1977 the Council adopted a Regulation on the total or partial suspension for 1978 of customs duties on certain agricultural products originating in Malta.²

¹ OJ L 331 of 23. 12. 1977.

² OJ L 322 of 17. 12. 1977.

(iv) Cyprus

308. The EEC-Cyprus Association Council met once at ministerial level during the year under review, on 22 November 1977. The main subject of discussion at this meeting was the question of negotiations with a view to concluding with Cyprus a Protocol determining the trade arrangements with that country in the agricultural sector. The Community delegation was able to inform the Cypriot delegation that the Council had given its assent to the principle involved in draft Directives designed to open the negotiations concerned.

(b) *The other Mediterranean Agreements*

(i) The Maghreb countries

309. In view of the time needed to ratify the Cooperation Agreements with the Maghreb countries,¹ on 21 June 1977 the Council adopted directives with a view to the conclusion of Agreements extending the Interim Agreements² until the Cooperation Agreements came into force, or until 31 December 1977 at the latest. These Agreements were negotiated and signed on 30 June 1977 with each of the Maghreb countries and entered into force on 1 July 1977.

At the end of 1977 the Council adopted further directives with a view to extending these Interim Agreements again until the entry into force of the Cooperation Agreements or until 30 June 1978 at the latest. These Agreements were signed with Algeria, Morocco and Tunisia on 31 December 1977,³ with a view to their entry into force on 1 January 1978.

Furthermore, in administering the Interim Agreements, the Council adopted several Regulations implementing them, and concluded a number of Agreements in the form of exchanges of letters with the Maghreb countries on the procedures for applying the concessions provided for in the Agreements regarding certain agricultural products or processed agricultural products, i.e. quality wines originating in Algeria and Morocco, fruit salads originating in Algeria, Morocco and Tunisia, tomato concentrates originating in Algeria, etc.

¹ For an analysis of the content of these Agreements see 24th Review, paragraph 216 *et seq.*

² In force since 1. 12. 1976, OJ L 141 of 28. 5. 1976.

³ OJ L 348 of 30. 12. 1977.

310. The EEC-Morocco Joint Committee and the EEC-Tunisia Joint Committee established under the Interim Agreements met twice during 1977,¹ with a view to consultations with Morocco and Tunisia on the situation in the textiles sector.

311. Pursuant to the exchanges of letters annexed to the Final Act of the Cooperation Agreements with Algeria, Morocco and Tunisia, and on the basis of a communication from the Commission, the Council departments continued the preparatory work designed to implement the policy of cooperation with these countries so that concrete action could be taken when these Agreements entered into force.

The general guidelines on cooperation, which will have to be formally approved by the Cooperation Council when the Cooperation Agreements enter into force, were subsequently finalized with the countries concerned in the *ad hoc* groups engaged in the preparatory work involved.

(ii) Spain

312. The EEC-Spain Joint Committee, established by the 1970 Agreement, held its fourth meeting in Madrid on 30 September 1977.

The Spanish and Community delegations reviewed the operation of the 1970 Agreement. The difficulties encountered in trade relations between the two parties were examined with a view to finding appropriate solutions.

313. In addition, on 20 December 1977 the Council adopted various Regulations implementing the 1970 Agreement as part of the day-to-day management of that Agreement.²

(iii) Israel

314. The EEC-Israel Joint Committee established by the 1975 Agreement met on 3-7 June 1976 in Jerusalem and set up a Working Party on Cooperation, made responsible for compiling and analysing data which would enable the Joint Committee to identify possible means of cooperation as laid down under the 1975 Agreement.

¹ The EEC-Morocco Joint Committee met on 7 July and 30 November 1977. The EEC-Tunisia Joint Committee met on 8 July and 24 November 1977.

² OJ L 355 of 31.12.1977.

Following meetings between Commission and Israeli experts the Working Party met in Brussels on 28 July 1977 and drew up a report which was submitted to the Joint Committee.

315. The Joint Committee held its second meeting in Brussels on 7 December 1977. The Israeli and Community delegations discussed the implementation of the 1975 Agreement as regards trade and held discussions on the implementation of cooperation in the industrial, scientific and agricultural sectors.

316. In addition, as in previous years, on 28 November 1977 the Council adopted a number of Regulations implementing the 1975 Agreement for 1978.¹

3. ACCESSION NEGOTIATIONS WITH GREECE

317. In accordance with the work schedule which it had set itself the Conference held four meetings at ministerial level during 1977, on 5 April, 25 July, 17 October and 19 December. The deputy Ministers held approximately one meeting per month, in accordance with the decisions on procedure.

The initial proceedings mainly concerned the presentation by both parties of general reports on the main items for negotiation. The Community delegation explained the contents and implications of the *acquis communautaire*, sector by sector, which Greece would have to adopt; with the help of mutually agreed transitional measures where necessary. The Greek delegation for its part specified its requests regarding the transitional measures deemed necessary for the purpose.

Once the Community and Greece had obtained a fuller and more detailed picture of the situation they set about defining their positions as clearly and fully as possible so as to acquire the information needed to find balanced solutions during the decision-making phase of the negotiations.

This preliminary work, which is vital if negotiations are to proceed smoothly at a later stage, continued vigorously throughout the year. At the end of 1977 the Community and Greece were able to establish that it would shortly be possible to enter into negotiations in certain spheres,

¹ OJ L 331 of 23. 12. 1977 and L 340 of 29. 12. 1977.

such as customs union, the industrial sector, capital movements and external relations – subject, of course, to the usual proviso that a partial agreement could only be considered as final when the negotiating parties had reached final agreement on all topics.

Furthermore, both parties also confirmed on several occasions that the current accession negotiations with Greece should be continued on their intrinsic merits.

4. THE EURO-ARAB DIALOGUE

318. During 1977 the Council continued its part of the preparatory work on the Community's position in the context of the Euro-Arab Dialogue.¹ At its meeting on 8 February 1977 the Council adopted a Resolution confirming the principle of a European financial contribution from the budget of the European Communities, without prejudice to any funds from other sources. A number of guidelines on trade matters were also adopted, according to which the Community could state its readiness to explore the possibility of establishing non-preferential contractual links and of setting up a Euro-Arab Centre for trade cooperation. Furthermore, at that meeting the Council adopted a number of guidelines on social matters, concerning in particular the draft statement on the principles governing the living and working conditions of foreign workers.

When the General Committee held its second meeting in Tunis on 10-12 February 1977 both parties consolidated the concept of the Dialogue by strengthening its basis and procedures. An exchange of views was held on all aspects of Euro-Arab cooperation in the political, economic, social and cultural fields, the progress made by the Working Committees since its last meeting was reviewed, taking note of achievements in a number of sectors for cooperation, and guidelines drawn up for the future work of the experts.¹ As regards the 'cooperation' aspects of the Dialogue, particular attention should be drawn to the General Committee's decision to set up an *ad hoc* group responsible for working out the procedures necessary for the utilization of the financial contributions which the Arab and European parties undertook to make in order to finance the preliminary feasibility studies and the other activities

¹ See 24th Review, paragraph 237.

under the Dialogue. The General Committee also agreed in principle to the establishment of a Euro-Arab Centre for the transfer of technology.

Following the second meeting of the General Committee, at its meeting on 5 April 1977 the Council decided that the contribution concerned would be 3.5 million dollars, chargeable against the 1977 budget of the Communities; the Arab party's contribution being 15 million dollars.

319. Work preparatory to the formulation the Community's position with a view to the third meeting of the General Committee of the Euro-Arab Dialogue was undertaken during the following months in the Community departments.

The third meeting was held in Brussels on 26-28 October 1977, when the General Committee continued its work, noting the progress in different spheres of cooperation and preparing further guidelines for the future work of the experts.¹

One of the more concrete results of this meeting of the General Committee as regards cooperation was the adoption of a code of financing procedures and a list of projects, consisting of seven feasibility studies on projects covering agriculture, rural development and basic infrastructure, and two symposia; another was the confirmation that the Arab party would contribute 15 million dollars and the European party 3.5 million dollars to finance activities and projects to be identified and selected in the context of the Euro-Arab Dialogue. In addition, as regards trade cooperation, the European party recognized the importance to the development of the Arab countries of increasing and diversifying their exports and accordingly declared its readiness to examine the possibility of establishing institutionalized non-preferential links between the European and Arab areas in the context of the Dialogue in order to promote trade cooperation between them. The Arab party took note of the European position and repeated its request for a preferential trade agreement between the two areas.

At its meeting on 19-20 December 1977, the Council formalized the European part of the agreement on a code of procedures and a list of actions² which was reached at the General Committee's meeting on

¹ See the Final Communiqué issued after this meeting.

² These appear in Annexes I and II of the Final Communiqué issued at the end of the General Committee's third meeting.

finance. The Council also laid down the amount which the European party would contribute to financing these – i.e. 997 000 dollars – to be covered by the 3.5 million dollars mentioned above.

5. YUGOSLAVIA

320. Following the joint statement issued in Belgrade on 2 December 1976¹ the Council had agreed, on 13 December 1976, that the EEC-Yugoslavia Joint Committee be convened early in 1977 with a view to preparing the negotiation of a new Agreement to replace the current Agreement due to expire on 31 August 1978 and to put the statement concerned into practice.

The Joint Committee met for this purpose in Brussels on 29 March 1977. At this meeting it instructed the Joint Sub-Committees for industrial and technological cooperation and for agriculture,² to continue their work on the basis of the content and spirit of the joint statement issued in Belgrade. In addition, it set up a third Joint Sub-Committee which, without encroaching on the work of the two other sub-committees, was made responsible for studying the specific sectors in which economic cooperation should continue and increase.

At its meeting on 5 April 1977 the Council was informed by the Commission of the outcome of the Joint Committee's meeting. The Council expressed satisfaction at the constructive results achieved and referred to the importance attached to developing relations between the Community and Yugoslavia.

At a further meeting held in Belgrade on 27 October 1977 the Joint Committee took note of the work which had been carried out meanwhile by the three Joint Sub-Committees and held an exchange of views on the initiation of procedures for concluding a new Cooperation Agreement. Both parties stressed in this context the importance attached to the Belgrade Joint Statement and their common wish that the principles set out in that statement be put into practice.

321. With this aim in mind and in the light of the work carried out, on 18 November 1977 the Commission submitted to the Council a

¹ See 24th Review, paragraph 250.

² Established in 1975 – see 23rd Review, paragraph 328.

communication on the opening of negotiations with Yugoslavia with a view to concluding a new Agreement.

On the basis of this communication the task of preparing negotiating directives was actively pursued by the Council. At its meeting on 19-20 December 1977 progress was reviewed and the Permanent Representatives Committee instructed to finalize draft directives so as to enable the Council to take a decision on them at its meeting on 17 January 1978.

F – Relations with the other third countries

1. INDUSTRIALIZED COUNTRIES¹

(a) Member countries and associates of EFTA

322. In 1977 the two most important events connected with relations between the Community and the member countries and associates of EFTA were the introduction of free trade in industrial products as from 1 July 1977 between the Community and the countries concerned and Portugal's application for accession to the Community, which was submitted in March.

Apart from these two matters the main business was the day-to-day administration of the Agreements, although a number of specific problems were encountered during the period under review.

(i) The introduction of free trade

323. As from 22 July 1977, in accordance with the provisions of the EEC-EFTA Agreements, customs duties on most of the industrial products falling under chapters 25-99 of the Brussels Nomenclature and originating in the Community or the EFTA countries were abolished. However, a certain number of sensitive products remain, on which there are as yet no plans for abolishing customs duties.

324. On 13 May 1977 the Heads of the Governments of the EFTA countries met in Vienna to discuss the future role of the EFTA countries

¹ See also paragraph 181 *et seq.* of this Review (General commercial policy).

in economic cooperation and development at European and world level. Subsequently Mr Kreisky sent a letter to the President of the Council to inform him of the results of this Conference.

In a letter to Mr Kreisky dated 21 June 1977 the President of the Council expressed the Communities' pleasure at the operation of the Agreements between the EFTA countries and the Communities, and their conviction that cooperation between the parties would continue and develop in the future.

(ii) Portugal

325. The Council determined the common ground among the Member States at the time of the visits made by Mr Soares, the Prime Minister of Portugal, to the nine capitals of the Community at the beginning of the year, and on 5 April 1977 agreed to acknowledge receipt of the letters containing Portugal's application for accession to the European Communities, submitted on 28 March 1977.

The Council agreed to implement the relevant procedure laid down by the Treaties and noted that the Commission would remain in close contact with the Member States and Portugal while drawing up its Opinion.

326. As regards the operation of the EEC-Portugal Agreement, the Council adopted a series of measures as follows:

- in March the Council adopted Regulation (EEC) No 550/77 concluding an Agreement in the form of an exchange of letters between the Community and Portugal concerning tariff quotas for certain paper products originating in Portugal;¹
- in April the Council adopted Regulation (EEC) No 742/77 concluding an Agreement in the form of an exchange of letters between the Community and Portugal concerning imports of prepared or preserved tomatoes originating in Portugal;²
- on 21 November 1977 the Council adopted Regulation (EEC) No 2582/77 on the opening, allocation and administration of tariff quotas for certain types of paper and paper board falling within

¹ OJ L 71 of 18. 3. 1977.

² OJ L 90 of 8. 4. 1977.

- subheadings ex 48.01 C II and 48.01 F of the CCT, originating in Portugal (1978);¹
- on 28 November 1977 the Council adopted Regulations (EEC) No 2669/77, 2670/77 and 2671/77 opening, allocating and providing for the administration of Community tariff quotas for Port, Madeira and Setubal Muscatel wines falling within Subheading No ex 22.05 of the CCT and originating in Portugal (1978);²
 - on 19 December 1977 the Council adopted Regulation (EEC) No 2913/77 on the conclusion of the Agreement in the form of an exchange of letters between the European Economic Community and the Portuguese Republic regarding prepared or preserved tomatoes falling within subheading 20.02 C of the Common Customs Tariff.³

327. Since the Additional Protocol and the Financial Protocol signed with Portugal in September 1976 had not so far been ratified by all the Member States, in December the Council concluded an Agreement with Portugal extending for one year the Interim Agreement between the European Economic Community and the Portuguese Republic.⁴

(iii) Meetings of the EEC – EFTA Joint Committees

328. The Joint Committees established by the Agreements met twice⁵ during 1977⁶ in order to review how these Agreements were working.

In this connection the Council adopted the common position which enabled the Joint Committees to take certain decisions which resulted in the formulation of a single text containing all the amendments to Protocols No 3 (rules of origin) to the EEC – EFTA Agreements, which will assist in the smooth running of these Agreements and help users and the customs administrations.⁷

¹ OJ L 301 of 25. 11. 1977.

² OJ L 310 of 3. 12. 1977.

³ OJ L 340 of 29. 12. 1977.

⁴ OJ L 329 of 22. 12. 1977.

⁵ The EEC-Iceland Joint Committee met in Reykjavik on 9 June 1977.

The EEC-Finland Joint Committee met in Helsinki on 17 June 1977.

⁶ Except for the EEC-Portugal Joint Committee, which met once in Lisbon on 9 November 1977.

⁷ Regulation No 2930/77, OJ L 341 of 29. 12. 1977.

(iv) EEC-Austria and EEC-Switzerland Joint Committees – Community transit

329. The Joint Committees established by the EEC-Austria and EEC-Switzerland Agreements on Community transit also met during 1977 and, by virtue of the powers conferred on them by these Agreements, took a number of decisions adopting certain amendments to the Agreements. These decisions were confirmed by Council Regulations,¹ and were designed to ensure that, under the Agreements, the same provisions as those in force within the Community were applied, for both legal and practical reasons, following consolidation of the various acts adopted by the Council relating to Community transit.

(v) Trilateral Agreement between the Community, Switzerland and Austria

330. In June 1977 the Council completed the procedures necessary for the entry into force of an Agreement with Switzerland and Austria designed to simplify the customs formalities at the frontiers in respect of goods traffic. The effect of this Agreement will be to extend the application of the provisions of the Transit Agreements between the Community and Switzerland and Austria to the goods traffic in question.²

(vi) Administration of the EEC-EFTA Agreements

331. In the course of the past year the Council adopted a number of measures relating to the EFTA countries in general:

- in March Ireland was authorized to continue to apply, until the end of the year, the safeguard measures in respect of boots and shoes from the EFTA countries which the Council had authorized in December 1975;
- in June the Council adopted seven Regulations concluding Agreements in the form of an exchange of letters between the Community and the EFTA countries providing for certain petroleum products listed in an Annex to Protocol No 3 of the Agreements to be

¹ Regulations No 1291/77 and 1292/77, OJ L 151 of 20. 6. 1977 and Regulation No 2929/77, OJ L 341 of 29. 12. 1977.

² Regulation No 1177/77, OJ L 142 of 9. 6. 1977. The Agreement will enter into force on 1 March 1978.

- subject to the application of this Protocol, which will avoid distortion of trade prejudicial to the interests of the Contracting Parties;¹
- on 16 June 1977 the Council adopted Regulation (EEC) No 1279/77 suspending the application of the indicative ceilings established for certain products originating in Austria, Finland, Norway, Portugal and Sweden,² imports of which had been less than 90 % of these ceilings for two consecutive years;
 - on 21 November 1977 the Council adopted Regulation (EEC) No 2583/77 re-establishing an indicative ceiling for twine, cordage, ropes and cables (heading ex 59.04) imported from Portugal;³
 - on 19 December 1977 the Council adopted Regulations on the application of the Decisions of the Joint Committees derogating from the provisions of List A annexed to Protocol No 3 concerning the definition of the concept of 'originating products' for certain plasticizers, hardeners and stabilizers falling within heading ex 38.19.⁴

(b) *Non-European industrialized countries*

332. The Commission keeps the Council informed of consultations held with the main non-European industrialized trading partners – i.e. the United States, Japan, Canada, Australia and New Zealand. These consultations concern major general problems of mutual interest as well as specific problems which arise in bilateral relations.

333. The European Council which met in Brussels on 5 and 6 December 1977 again discussed⁵ relations with Japan, with particular reference to the important matter of the Japanese balance-of-payments surpluses in the context of the overall world economy. The European Council instructed the President of the Commission to continue and step up his consultations with the Japanese Government, particularly on this topic.

¹ OJ L 139 of 7. 6. 1977.

² OJ L 148 of 16. 6. 1977.

³ OJ L 301 of 25. 11. 1977.

⁴ Regulation (EEC) No 2931/77 on the application of Decisions No 2/77 and No 3/77 of the EEC-Austria Joint Committee, OJ L 341 of 29. 12. 1977.

⁵ See 24th Review, paragraph 164.

At its meeting on 19-20 December the Council heard a report from the President of the Commission on the initial conversations held following this instruction from the European Council, and agreed to hold a detailed discussion on all the questions concerning relations with Japan at its meeting in February 1978.

2. LATIN AMERICA

334. Relations between the Community and the Latin-American countries continue to develop through two sets of channels – i.e. in the context of the bilateral agreements concluded with some of these countries and also through the dialogue procedure between the Community and the Latin American group of countries.

With reference to the latter, at the two sessions of the eighth meeting at ambassadorial level held in Brussels on 13 June and 12 December 1977, both sides agreed that the dialogue procedure should take a more practical form. They therefore decided to reactivate the Joint Working Party of experts on trade questions, which was given the specific task of reviewing the pattern of trade between the two areas and the causes of the fluctuations in this trade.

3. ASIA

335. In order to strengthen the links between the Community and the ASEAN countries,¹ the Council and these countries agreed to institute a dialogue between the Permanent Representatives Committee and the five ASEAN ambassadors accredited to Brussels. This would allow both sides to hold exchanges of views on subjects of mutual interest, and would continue alongside existing relations with the Commission through the Joint Study Group.

The first meeting was held in Brussels on 29 November 1977.

At this meeting recent developments in relations between the two sides were reviewed and a number of specific problems discussed in detail. These concerned trade, the system of generalized preferences, development cooperation, investments and industrial cooperation.

¹ Association of Countries in South-East Asia, comprising Indonesia, Malaysia, the Philippines, Singapore and Thailand.

4. STATE-TRADING COUNTRIES¹

(a) China

336. During 1977 preliminary conversations were held between the Commission and the Chinese authorities with a view to opening negotiations to conclude a trade agreement.² These conversations were held in Brussels and culminated in a visit to China on 4-13 July by a delegation from the Commission departments. The talks have shown very clearly the importance attached by China to the political aspects of a trade agreement with the Community, which would be a practical demonstration of the willingness of both sides to develop relations.

Following these conversations, on 30 September 1977 the Commission submitted a recommendation to the Council on the opening of negotiations with the People's Republic of China. On the basis of this recommendation, at its meeting on 21-22 November 1977 the Council adopted a Decision authorizing the Commission to negotiate a non-preferential trade agreement between the Community and the People's Republic of China. Negotiating directives were attached to this Decision.

Negotiations proper began on 22 December 1977.

(b) Relations with Comecon

337. The dialogue between the Community and Comecon continued in 1977. It will be recalled that in its letter dated 17 November 1976 the Council had informed the Chairman of the Executive Committee of Comecon that the Community was willing to begin negotiations immediately on the basis of the draft agreement attached to that letter.³ The Chairman of the Executive Committee of Comecon replied to the President of the Council in a letter dated 18 April 1977, expressing the wish that before the negotiations proper there should be a preliminary meeting between the Chairman of the Executive Committee of Comecon and the President of the Council.

At its meeting on 21 June 1977 the Council adopted the text of the Community's reply to the suggestion put forward, and this was sent by

¹ See also paragraph 182 of this Review.

² See 23rd Review, paragraph 325.

³ See 24th Review, paragraph 248.

the President of the Council on 15 July 1977. In his reply he stated that the draft agreement attached to the Community's letter of 17 November 1976 still reflected the Community's position. However, the Council agreed that a preliminary meeting as suggested by Comecon might be useful to specify procedures for the negotiations and at the same time to mark the transition to this new phase of the dialogue. The President of the Council therefore proposed that the meeting be held during September, and specified that in his capacity of President of the Council he would receive the Comecon delegation and introduce Mr Haferkamp, Vice-President of the Commission, who would be responsible for conducting all the phases of the negotiations on behalf of the Community.

The meeting was held in Brussels on 21 September 1977. The Head of the Comecon delegation was Mr Marinescu, Deputy Prime Minister of Romania, and Chairman of the Executive Committee of Comecon. As specified in the Community's letter, the President of the Council, Mr Simonet, received the Comecon delegation. He made a short introductory speech concerned mainly with the procedure which the Community follows in negotiating with an organization such as Comecon, explaining that the Commission was responsible for such negotiations, and introduced the Vice-President of the Commission, Mr Haferkamp, who was responsible for external relations. After a brief exchange of views the President of the Council withdrew and conversations continued with the Commission representatives alone.

Following this initial meeting – an important milestone in relations between the Community and Comecon – the following press release was published:

'On 21 September, Mr Marinescu, Deputy Prime Minister of Romania and Chairman of the Executive Committee of the Comecon, assisted by Mr Velkov, Assistant Secretary of the Comecon, met the Belgian Minister of Foreign Affairs, Mr Simonet, President of the Council of the European Communities, who introduced him to Mr Haferkamp, Vice-President of the Commission, which will be conducting the negotiations on behalf of the Communities. Mr Haferkamp presented the Community's point of view during the ensuing discussions.

The talks produced a constructive exchange of views on the future negotiations and the way in which they were to be held. A better

understanding of the respective positions was gained and it was agreed that the negotiations for the conclusion of an agreement could begin early in 1978.

Reports will be made to the respective authorities and the necessary arrangements for entering into negotiations will be announced at a later date.'

(c) *Outcome of the Conference on Security and Cooperation in Europe (CSCE)*

(i) The Belgrade Conference

338. In accordance with the Final Act of Helsinki, a meeting of the representatives designated by the Ministers for Foreign Affairs opened in Belgrade in September 1977 with a view to holding 'a thorough exchange of views both on the implementation of the provisions of the Final Act and of the tasks defined by the Conference, as well as, in the context of the questions dealt with by the latter, on the deepening of their mutual relations, the improvement of security and the development of cooperation in Europe, and the development of the process of détente in the future'. This meeting was preceded by a preparatory meeting which was also held in Belgrade, in the middle of 1977.

The meeting in Belgrade covers a number of subjects within the competence of the Communities, particularly those dealt with as part of the second 'basket', relating to cooperation in the fields of the economy, science, technology and the environment. In accordance with the practice followed during the Conference itself and with the statement made by the President-in-Office of the Council, Mr Moro, when the Final Act was signed on 1 August 1975 in Helsinki,¹ the viewpoints of the Communities were expressed at the Belgrade meeting in accordance with their internal regulations each time that matters within their competence were discussed. The Commission is therefore represented at Belgrade and expresses the Community's point of view in cooperation with the representative of the country holding the Council Presidency.

Alongside preparatory work on the agreed positions of the Nine on the more specifically political matters connected with political

¹ See 23rd Review, paragraph 332.

cooperation, preparatory work on Community positions on matters arising from the Treaties was therefore carried out on a regular basis in the course of numerous meetings held in Brussels by the Permanent Representatives Committee, although the Council itself was required to discuss certain matters on several occasions. In addition, while the Belgrade meeting was taking place, there was close coordination between the delegations to this meeting. The Community departments tried to establish a common position when necessary, and alternatively to supply the items of information relating to political cooperation or coordination on the spot and required connection with problems affecting or likely to affect Community interests.

On 15 November Mr Simonet, President-in-Office of the Council, gave an initial report to Parliament in Strasbourg on the part played by the Nine in the Belgrade meeting, stating:

'The Nine cooperated particularly closely at Helsinki and at Geneva in respect of the Conference and this spirit was again manifest before and during the meeting in Belgrade. All the problems encountered, whether relating to procedure or substance, have been tackled with the constant desire to achieve as thorough and balanced an assessment as possible of how the Final Act has been implemented.'

With this in mind, the Nine have coordinated their approach in such a way as to ensure that each of the major items in the Final Act would be raised at the Belgrade meeting, and considered making a number of proposals in order to improve the implementation of the Act. They have also made sure that the Community as a body is properly represented whenever appropriate during the meeting. The Community delegations in Belgrade are working together constantly . . .'

- (ii) The Soviet Union's proposals for Pan-European Conferences on the environment, transport and energy¹

339. At its meeting on 8 March 1977 the Council determined a number of guidelines covering the action to be taken by the Economic Commission for Europe on the Soviet Union's proposals.

¹ See 24th Review, paragraph 249.

340. As regards environmental protection, following the proposal by the Executive Secretary of the ECE, Mr Stanovnik, that the ECE should organize high-level meetings on this matter, the 32nd meeting of the ECE, held in Geneva on 19-30 April 1977, adopted a Resolution on the future activities of the organization. The ECE Secretariat was instructed to carry out detailed studies on matters likely to be included in the agenda and on the procedures for organizing a Conference of this kind. The decision on the principle of whether such a Conference should be organized was left for consideration by the 33rd meeting of the ECE to be held in April 1978.

341. As regards possible Conferences on energy and transport, in order to take account of the new factors which had arisen since its Decision of March 1977, at its meeting on 18 October 1977 the Council specified the position to be adopted on these matters by the Community delegation to the Belgrade Conference.

The practical aspects of all these matters are at present being studied in detail by the Council departments.

G – Fisheries policy (external aspects)

PROBLEMS RAISED FOR THE COMMUNITY FISHING INDUSTRY BY THE ESTABLISHMENT OF 200-MILE FISHING ZONES

342. On 3 November 1976, following the decision by Iceland, Norway, the United States and Canada to extend their fishing limits to 200 miles, the Council had decided that as from 1 January 1977 fishing by vessels from third countries in these zones would be regulated by agreements between the Community and the third countries concerned, and finally agreed, in order to maintain existing fishing rights and to obtain further rights, that the Community would enter into negotiations immediately with the third countries concerned.

During 1977 the Council has paid very close attention to the progress made in negotiating framework agreements based on the principle of reciprocity as regards fishing. This principle requires that a satisfactory balance should be established annually with regard to the fishing potential available to each party, taking account of annual rates of catch.

In establishing this balance the 'catch records' of the Community and the third countries in their respective waters must be taken into account. These may be summarized as follows:

- (i) the Community's catches have been greater than those of the Faroe Islands and Norway;
- (ii) the Community's catches have been much smaller than those of the German Democratic Republic, Poland, Spain, Sweden and the USSR;
- (iii) the Community has fishing interests in the territorial waters of the United States and Canada, while these countries have no substantial interests in the Community fishing zone;
- (iv) besides catch records there are other considerations in the case of the West African ACP States and Yugoslavia.

Pending the conclusion of negotiations, and in order to safeguard the fishing potential available to Member States in the waters of the third countries which had accepted 'full reciprocity', and to reduce progressively the fishing potential available to third countries which grant the Community less than full reciprocity, the Council took autonomous measures – in many cases in the form of Regulations (see paragraphs 345, 348 and 349 below) – granting fishing rights to these third countries. An exception to this is Iceland, since this country will not negotiate a framework agreement with the Community.

It should be noted that the form and content of the autonomous measures mentioned below have been influenced by the comparative degree of interest shown by each party in fishing in the waters of the other party.

Following this mandate, on 16 February 1977 a Community delegation met for the first time a delegation from the Union of Socialist Soviet Republics with a view to negotiating an agreement. The Community delegation was headed by Dr Owen, President-in-Office of the Council, and the Community's viewpoints were put by Mr Gundelach, Vice-President of the Commission. The Soviet delegation was headed by Mr Ishkov, the USSR Minister for Fisheries.

On 15 February 1977 the Agreement between the Community and the Government of the United States of America concerning

fisheries off the coasts of the United States was signed in Washington.¹ On 15 and 21 March 1977 the framework agreements on fishing were signed in Brussels with the Faroe Islands and Sweden. In June 1977 the Council adopted Regulation (EEC) No 1220/77 concluding the Agreement with the United States.¹

343. On 27 June 1977, in view of the difficulties encountered by Community fishermen off the coasts of certain West African Associated States, the Council decided to authorize the Commission to open negotiations with Guinea-Bissau, Senegal and Mauritania with a view to concluding framework agreements with these countries.

344. In December the Council authorized Italy to extend its bilateral agreement with Yugoslavia for a period of six months pending a fishing agreement between the Community and the latter country.

345. Since negotiations on framework agreements with third countries, with the exception of the United States, the Faroe Islands and Sweden, continued throughout 1977, the Council adopted several Regulations² allowing vessels of some of these countries to fish in Community waters. In those cases where fishing rights were granted by Regulations the catches of the third countries were limited to quotas and made subject to a system of licences. Up to 30 September 1977 these licences were issued to third countries by the presidency, and as from 1 October 1977 by the Commission departments.

346. Following the decisions made by the Council in December 1976 reciprocal fishing arrangements were agreed with the Faroe Islands and Norway for 1977.

347. Since the USSR had imposed a number of restrictions on Community vessels in the Barents Sea, the Council decided not to

¹ OJ L 141 of 9. 6. 1977.

² OJ L 25 of 29. 1. 1977.

OJ L 53 of 25. 2. 1977.

OJ L 90 of 8. 4. 1977.

OJ L 106 of 29. 4. 1977.

OJ L 123 of 17. 5. 1977.

OJ L 137 of 3. 6. 1977.

OJ L 150 of 18. 6. 1977.

OJ L 160 of 30. 6. 1977.

OJ L 189 of 29. 7. 1977.

OJ L 250 of 30. 9. 1977.

extend beyond 30 September 1977 the Regulation authorizing vessels belonging to that country to fish in Community waters.

348. On 27 September 1977 the Council adopted the Regulation laying down the allocations among the Member States of the Community of the catch quotas allocated by Norway to the Community in the waters north of latitude 62° North for the period 1 September to 31 December 1977.

349. On 29 and 30 December 1977 the Council adopted several Regulations granting certain third countries the right to fish in Community waters during January 1978.¹

H – Conference on the Law of the Sea

350. The Community attended as an observer the sixth meeting of the United Nations Conference on the Law of the Sea, held in New York in the spring of 1977, and consultations between sessions which took place in February of the same year in Geneva.

Preparatory work for this meeting had been carried out during several coordination meetings held in Brussels at the beginning of the year.

As soon as this sixth meeting ended various groups of experts started preparatory work for the seventh meeting to be held in Geneva in April 1978.

Whereas fishing problems did not loom so large at this Conference as in the past, on the other hand matters concerning maritime resources and pollution were given more attention by the experts. The Community also carried out preparatory work on problems such as the settling of disputes and the status of scientific research, and on the question of inserting an EEC clause into the future Convention so as to enable the Community to become a party to it.

¹ OJ L 351 of 29. 12. 1977. OJ L 355 of 31. 12. 1977.

CHAPTER V

Agriculture

A – Problems concerning all the sectors covered by the common agricultural policy

1. 1977-78 AGRICULTURAL PRICES

351. At the beginning of 1977, the newly-formed Commission submitted to the Council a set of proposals on fixing prices for certain agricultural products for the forthcoming 1977/78 marketing year, accompanied by various related measures.

The price increases proposed by the Commission were approximately 3 % higher, on average, than those fixed for the previous marketing year and were expected to increase the cost of living in the Community by about 0.4 %.

The Council discussed the various proposals at its meetings held in February and March 1977, particularly on the occasion of a 'Marathon' meeting on 25, 26, 27, 28 and 29 March 1977. One delegation having been unable to align itself in full with the position of the other delegations regarding an overall compromise proposed by the Commission, the Council again discussed the question and was able to achieve a general agreement, based on the compromise which had been proposed, at its meeting of 25–26 April 1977.

At the same time, the Council fixed the prices of the main agricultural products for the 1977/78 marketing year and approved various measures, especially in the monetary sector.

The prices adopted by the Council, expressed in units of account, represented an average increase of approximately 3.9 % which hardly

differed, therefore, from the figure originally proposed by the Commission.

On the basis of the new representative rates to be applied to various currencies (French franc, pound sterling, Irish pound, Italian lira, Danish crown), the average increase at the level of the monetary zones works out at approximately 4 %.

These general decisions took account on the one hand of the importance of the market and price policy for farmers' incomes and, on the other, of consumers' interests and the economic problems associated with what was in certain cases a high rate of inflation, even if the latter varied from country to country.

In addition to its decisions on prices proper, the Council approved the action programme for the milk sector submitted by the Commission, subject to minor amendments. In the same context, a co-responsibility levy of 1.5 % entered into force on 16 September 1977. In lieu of a tax on oils and fats, agreement was reached on the consumer subsidy for butter. The non-marketing premiums for milk were also fixed, together with an additional subsidy for liquid skimmed milk used by pig-breeders and another for skimmed-milk powder used in feed for pigs or poultry.

At the same time, a major effort was made to speed up the eradication of certain epizootic diseases in cattle.

Other related decisions were also taken, and certain commitments of the Commission recorded, particularly with a view to supporting the market in common wheat of bread-making quality during the marketing year.

In addition, in the sugar sector, the production of isoglucose was subjected for a two-year period to arrangements similar to those applicable in the sugar market, in the form of a production levy of 5 u.a./100 kg.

In the beef and veal sector, the Council agreed to maintain the existing system of slaughter premiums for certain beef cattle and the system of calving premiums.

The Commission estimated that the overall effect of the compromise on prices and related measures adopted at the end of April 1977 would be to increase expenditure by about 210-220 million u.a. in the 1977 financial year.

2. REPERCUSSIONS OF THE MONETARY SITUATION ON THE OPERATION OF THE COMMON AGRICULTURAL POLICY

352. In 1977, the currencies of the Member States of the Community again followed divergent trends in the foreign exchange markets. On the one hand, in spite of the occurrence of what were on certain occasions extremely strong upward speculative pressures on the German mark, the Member States which were parties to the joint float agreement, commonly known as the 'snake', succeeded in avoiding the need to adjust the central rates of their respective currencies – with the exception of Denmark which devalued its central rate by 3 % in April and by 5 % in August. On the other hand, the parities of the freely floating currencies, particularly the pound sterling and the Irish pound, were affected by fluctuations which were in certain cases of major proportions. In the last four months of the year, the situation was nevertheless stabilized to a certain extent, with the Irish pound and pound sterling, in particular, regaining some of the ground they had lost towards the end of 1976.

As a result, and because the Member States were unable, for a variety of economic and social reasons, to adjust the conversion rates used for expressing common prices in national currencies (henceforth referred to as 'representative rates') to exchange market realities, the monetary compensatory amounts applied to intra- and extra-Community trade in agricultural products remained a necessary element of the common agricultural policy. These amounts had originally been conceived as a strictly temporary remedy for the distortions in trade provoked by changes in parities. A certain number of Member States were nevertheless increasingly of the opinion that these compensatory amounts were themselves responsible for various distortions of competition and jeopardized the very principle of a single and unified agricultural market.

The Council was unable to agree on a proposal submitted by the Commission for the progressive elimination of the monetary compensatory amounts at the end of a period of several years, although the modified proposal submitted by the Commission in this context in November 1977 is still being examined. As in previous years, therefore, the rates were adapted on a pragmatic basis. When fixing the agricultural prices for the 1977/78 marketing year, the Council therefore aimed, as in 1975 and 1976, at re-establishing the unity of the agricultural

market by adjusting the representative rates applicable to several Member States. The effect of this measure was to reduce the monetary compensatory amounts applicable and also allowed a modulated increase in the common prices defined for agricultural producers on the basis of the production cost trends recorded in the Member States concerned.¹ Furthermore, following the adjustment of the representative rate for the Danish crown, it was no longer necessary to introduce compensatory amounts for Denmark.

Subsequently, the Council decided, at the request of the Member States concerned, on further adjustments of the representative rates, namely in September for the Danish crown,² which again avoided the need for fixing compensatory amounts for the country in question, and in December for the French franc.³

3. QUESTIONS CONCERNING ALL THE SECTORS COVERED BY THE COMMON AGRICULTURAL POLICY

(a) Updating of the outlook for agricultural markets

353. The Council took note of the communication from the Commission of 5 August 1977 on the updating of the outlook for the various agricultural markets published in the annual report on the situation of agricultural markets in the Community for 1976.

It was felt that the contents of this communication could be used not only for the appraisal of future proposals for certain key sectors of the common agricultural policy but also for the compilation of the dossier on agricultural prices for the 1978/79 marketing year; the Council considered it would be helpful if the Commission could submit such communications at regular intervals.

(b) The sale of agricultural products on board ship

354. At its meeting of 20–21 December 1977, the Council adopted a Regulation proposed by the Commission on 16 February 1977 on

¹ Regulation (EEC) No 651/77, OJ L 82 of 31. 3. 1977.
Regulation (EEC) No 723/77, OJ L 88 of 6. 4. 1977.

Regulation (EEC) No 878/77, OJ L 106 of 29. 4. 1977.

² Regulation (EEC) No 2024/77, OJ L 235 of 14. 9. 1977.

³ Regulation (EEC) No 2840/77, OJ L 328 of 21. 12. 1977.

certain measures designed to put an end to abuses resulting from the sale of agricultural products on board ship.¹ There had in fact developed a practice, on board certain ships on voyages outside territorial waters, of disposing at reduced prices of Community agricultural products which had benefited from export refunds or of products from non-member countries which had not yet been placed in free circulation in the Community, these products being subsequently re-introduced into the customs territory of the Community, free of import charges, in travellers' personal luggage.

Since this situation was detrimental both to Community products and to products legitimately imported from non-member countries, the Commission had initially exercised its powers to suspend the granting of refunds for Community products intended for such traffic, and subsequently proposed to the Council that it should enact a Regulation stipulating that prior to the time of their delivery on board ship, the products and goods to be sold or distributed should be 'covered by either of the situations provided for in Article 9 (2) of the Treaty'.

Such a solution having given rise to practical difficulties at the economic, social and regional levels, the Council opted, with due respect for the aim envisaged by the Commission, for a technical approach which mainly consisted, by way of temporary derogation, of a system of limited quantities of duty-free imports of specifically agricultural products and the authorization of the Member States to decide on the introduction of such a system; on 5 August 1977, the Commission submitted a modified proposal along these lines.

Parliament, which was automatically consulted on the initial proposal, made a point on that occasion of welcoming any measures aimed at eliminating the abuses noted in the functioning of the market.

The idea of a system of duty-free admission was thus accepted by the Council which nevertheless considered it necessary, for legal reasons, to depart from the original approach based on exemptions by laying down that the Member States shall henceforth be authorized to grant, in the case of agricultural products sold or distributed on board ship under the conditions described above, the duty-free admission of very restricted quantities beyond which these products will no longer be admitted into the Community unless the proper import duties are paid.

¹ Regulation (EEC) No 3023/77, OJ L 358 of 31. 12. 1977.

These arrangements, which were scheduled to enter into force on 1 February 1978, will nevertheless be re-examined by the Council before 31 December 1979, particularly with regard to the desirability of fixing a final time-limit in the light of the experience acquired.

B – Drafting of regulations on the common organization of markets and basic amendments

1. DRAFTING OF NEW BASIC REGULATIONS

(a) *Mutton and lamb*

355. In the course of 1977, pending the submission by the Commission of a proposal for a definitive common organization of the market in mutton and lamb, the Council continued its examination of interim measures to be taken with a view to improving intra-Community trade in this sector.

On 12 December 1977, the Commission submitted to the Council a draft Resolution summarizing the general principles to be borne in mind when examining the Commission's proposal. It was agreed that this draft should be annexed to the file under examination.

(b) *Potatoes*

356. During the period under review, the competent Council departments continued their examination of the questions raised by the establishment of a common organization of the market in potatoes which was proposed by the Commission in June 1976.¹ However, the work has not yet been completed, because of the problems posed by the determination, at a Community level, on the one hand of the scale of support for ware potatoes and the role of the producer groups and, on the other hand, of the system applicable to new potatoes and especially to those imported from non-member countries.

(c) *Isoglucose*

357. Following the concern expressed by the Council on several occasions in 1976,² and in the context of its own proposals on fixing

¹ See 24th Review, paragraph 275.

² See 24th Review, paragraph 336.

prices for certain agricultural products for the 1977/78 marketing year, accompanied by certain related measures, the Commission proposed the introduction of common measures for isoglucose with a view to re-establishing equilibrium between the latter and sugar, which isoglucose can replace in the manufacture of certain refreshing drinks, jams, sugar confectionery and cakes. The Council approved the Regulation in question, on 17 May 1977,¹ after consulting Parliament. The provisions of this Regulation are largely in line with those for the sugar sector. They provide, in particular, a precise definition of isoglucose, trade arrangements including licences and, where appropriate, import levies and export refunds, together with a production levy which would be tied to the similar production levy provided for in the sugar sector. However, for the period 1 July 1977 (date of application of the Regulation) to 30 June 1978, the Council decided that the amount of this levy should not exceed 5 u.a./100 kg of dry matter.

Isoglucose having thus been defined by the abovementioned Regulation, the Council decided on 20 July 1977 to use the same definition in Regulation (EEC) No 2742/75 on production refunds in the cereals and rice sectors.²

During the period under review, the Commission submitted to the Council a proposal for the amendment of the Regulation laying down common provisions for this product so as to extend the system of refunds to exports of isoglucose contained in certain processed products. This proposal is currently being examined by the Council's departments.³

(d) Castor seeds

358. In the context of the global compromise on oil seeds worked out during the discussions on fixing agricultural prices for the marketing year 1977/78, the Commission undertook to examine the advisability of developing castor seed production in the Community and to submit a report to the Council on the subject, together with any proposals considered appropriate. On the basis of that report, which was presented in July 1977, the Council decided to encourage the growing of castor seeds for a period of six marketing years which would thus enable

¹ Regulation (EEC) No 1111/77, OJ No L 134 of 28. 5. 1977.

² Regulation (EEC) No 1665/77, OJ L 186 of 27. 7. 1977.

³ See also paragraph 465 of this Review.

it, on the basis of the experience acquired, to decide before the end of that period on the desirability of definitively encouraging the cultivation of this product in the Community. The Regulation concerned,¹ which is integrated in the set of measures intended to deal with the problems of agriculture in the Mediterranean regions of the Community, provides for the granting of aid to those seed-processing undertakings which have concluded contracts with the producers in which provision is made for a minimum purchase price. The aid will be granted for castor seeds harvested and processed in the Community when the Community guide price is higher than the world market price for this product and will be equal to the difference between these two prices. The level of the minimum price, and that of the guide price, will be fixed annually by the Council.

(e) *Proteins*

359. In December 1977, in the context of its proposals on the fixing of prices for certain agricultural products for 1978/79,² the Commission submitted to the Council two proposals for basic Regulations covering proteins, with a view to improving the organization of supplies of these products in the Community market.

360. The first proposal concerns dehydrated fodder and provides support measures for a range of naturally or artificially dried dehydrated products, in the form of an aid comprising two elements, one of which is fixed and the other to be granted when the Community guide price is higher than the average price in the world market. This new Regulation is intended to replace Regulation (EEC) No 1067/74, which introduced such a system for dehydrated fodder and is due to expire on 31 March 1978.

361. The purpose of the second proposal, which provides for special measures for peas and field beans used in animal feed, is not only to supplement Community policy in the proteins sector but also to extend the list of products grown in the Mediterranean regions of the Community which qualify for support. For the products in question, the proposal is to grant an aid to compound feed manufacturers, to be based on the difference between the activating price and the average price of soya cakes on the world market.

¹ Regulation (EEC) No 2874/77, OJ L 332 of 24. 12. 1977.

² See paragraph 351 of this Review.

362. These two proposals are currently being examined by the Council in the context of its discussion of the whole set of proposals regarding agricultural prices and related measures for the marketing year 1978/79.

(f) *Ethyl alcohol of agricultural origin*

363. In 1977, the Council's departments started, and actively continued at several meetings, the examination of the amended proposal on the common organization of the market submitted by the Commission on 7 December 1976.¹

This work showed that the definition of the elements of a system of Community rules for the sector in question was fraught with practical difficulties reflecting the complexity of the questions raised on a legal, economic, technical, financial and social level, particularly because of the differences noted in the national systems in force in the various Member States.

The Commission's proposal was therefore subjected to an extremely rigorous analysis in the course of which a certain number of major problems were brought into focus.

It should be noted that these problems related, *inter alia*, to the field of application of the proposed system, particularly with regard to the treatment of alcohol obtained from molasses, the system of reservation of sectors aimed at providing agricultural alcohol with a certain guarantee of outlets in the fields of application for which its characteristics render it most suitable, the system of prices and intervention measures, the question of the financial equilibrium of the common organization for alcohol, the rules applicable to trade with non-member countries particularly in the light of the existence of certain preferential agreements, the cases of potable spirits distilled from wine, of rum, and of certain small agricultural distilleries in the northern regions of the Community, the harmonization of excise duties and of their incidence on non-agricultural sectors such as that of synthetic ethyl alcohol.

The Council agreed to accelerate its work on this question in 1978 with a view to the earliest possible achievement of an overall solution which would also take account of certain judgments of the Court

¹ See 24th Review, paragraph 277.

of Justice regarding the application of the general rules of the common agricultural policy in the absence of a common organization of the market for a given product.

2. AMENDMENTS TO THE BASIC REGULATIONS

(a) *Amendments concerning several sectors*

364. The description and classification of a certain number of agricultural products listed in the Common Customs Tariff having been modified as a result of a decision of the Customs Cooperation Council. On 7 November 1977, the Council, after consulting Parliament, amended in particular Regulations No 136/66/EEC, (EEC) No 804/68, (EEC) No 827/68, (EEC) No 950/68, (EEC) No 816/70, (EEC) No 100/76, (EEC) No 3330/74, (EEC) No 2727/75 and (EEC) No 1111/77, to take account of these modifications.¹

(b) *Storage of products bought in by an intervention agency*

365. On 17 May 1977, the Council adopted Regulation (EEC) No 1055/77² which laid down the conditions on which products bought in by an intervention agency of one Member State can be stored and disposed of outside its territory. This Regulation provides for:

- the introduction of a Community authorization for storage in a Member State other than the one in which the intervention measures have been taken and, on an exceptional basis, for storage in non-member countries after the Member States have been consulted on the subject of storage possibilities within the Community;
- the non-collection at the frontier, when such products are transported, of the customs duties and other amounts to be levied or granted under the common agricultural policy;
- measures to ensure that such products are disposed of at the prices and subject to the conditions applicable at the place of storage.

¹ Regulation (EEC) No 2560/77, OJ L 303 of 28. 11. 1977.

² OJ L 128 of 24. 5. 1977.

(c) *Beef and veal*

366. On 14 February 1977, in accordance with its Decision of 20-21 December 1976,¹ the Council adopted Regulation (EEC) No 425/77, amending Regulation (EEC) No 805/68 on the common organization of the market in beef and veal and adapting Regulation (EEC) No 827/68 and Regulation No 950/68 on the Common Customs Tariff,² to ensure greater protection in the event of a fall in prices and to simplify the management of the special trade regulations.

367. On the same date, the Council also repealed Regulations (EEC) No 888/68, (EEC) No 990/68 and (EEC) No 752/74 in respect of beef and veal,³ and adapted Regulations (EEC) No 885/68 and (EEC) No 1302/73⁴ to take account of the abovementioned Decision.

368. Furthermore, the Council amended Regulation (EEC) No 989/68 laying down general rules for granting private storage aid for beef and veal,⁵ so as to take account of the fact that it had abolished, by Regulation (EEC) No 425/77, the possibility of importing certain types of frozen meat with total suspension of the levy on presentation of a contract for private storage aid. The Council also amended Regulation (EEC) No 98/69 laying down general rules for the disposal of frozen beef and veal bought in by intervention agencies,⁶ so as to introduce certain new measures for disposal of the stocks which the Community had been obliged to constitute, on an exceptional basis, during the period of application of the safeguard clause.

369. Finally, taking advantage of certain technical adaptations which were rendered necessary by the amendment of the system of trade with non-member countries laid down in the basic Regulation, the Council revised the Regulation laying down general rules for the system of compensatory amounts for beef and veal.⁷

¹ See 24th Review, paragraphs 288 and 289.

² OJ L 61 of 5. 3. 1977.

³ Regulation (EEC) No 426/77, OJ L 61 of 5. 3. 1977.

⁴ Regulation (EEC) No 427/77, OJ L 61 of 5. 3. 1977.

⁵ Regulation (EEC) No 428/77, OJ L 61 of 5. 3. 1977.

⁶ Regulation (EEC) No 429/77, OJ L 61 of 5. 3. 1977.

⁷ Regulation (EEC) No 430/77, OJ L 61 of 5. 3. 1977.

(d) *Cereals*

- (i) Adaptation of the common organization of the market in cereals following the reform of the price system decided by the Council in 1976

370. The new price system established for cereals provided in particular that as from the 1977/78 marketing year the market in common wheat of bread-making quality would no longer be supported by an intervention price, but by a 'reference' price.¹ On 17 May 1977, after consulting Parliament, the Council defined the bread-making quality of the common wheat for which the reference price is fixed.² The quality standards adopted are those of 'medium bread-making quality', so as to avoid encouraging the production of common wheat varieties of inferior bread-making quality.

However, in certain situations, the stabilization of the market in common wheat may also be attained by means of support measures for common wheat of less than medium bread-making quality. Hence the provision for such measures for common wheat of these inferior qualities, subject to a reduction of the reference price.

Lastly, with this same Regulation, the Council made certain more technical amendments to the rules for cereals, by providing a clearer definition of the method of calculation of the transport cost component required for fixing the target price and by simplifying the methods to be used for controlling the qualitative and technological characteristics required of durum wheat to be eligible for aid to producers

- (ii) Payment by the Guarantee Section of the EAGGF of the expenditure resulting from the application of the basic Regulation on cereals in the French overseas departments.

371. As provided already for financing the expenditure of the OD in the sugar, raw tobacco and fruit and vegetables sectors (system of aid for the production of pineapples), the Council decided on 21 June 1977, after consulting Parliament, that the Guarantee Section of the EAGGF

¹ See 24th Review, paragraph 281.

² Regulation (EEC) No 1151, OJ L 136 of 2. 6. 1977.

would also assume the burden of the expenditure resulting from the application of the Community rules to the cereals sector in those departments.¹

(e) *Rice*

372. On 17 May 1977, the Council, after consulting Parliament, made certain amendments to the Regulations currently in force,² so as to improve the adaptation of the common organization of the market in rice to the practical requirements of this sector. Thus the system of derived intervention prices was replaced by a single intervention price which was in fact more appropriate for the situation characterized by surpluses in Italy and a deficit in the other Member States.

In this situation, with a view to balancing the surpluses with requirements in consumer areas, it was stipulated that the target price should henceforth be determined on the basis of the intervention price, with due allowance for a 'market' element; the widening of the gap between the two prices obtained by this method was in fact intended to improve the fluidity of the market in question.

Lastly, the provisions of the basic Regulation regarding the elements needed for fixing the threshold price of husked rice were laid down in greater detail. Their purpose is to fix this price at a level facilitating the achievement of the aims assigned to it, i.e. to ensure that the selling price in Duisburg of imported rice corresponds to the target price.

(f) *Sugar*

373. On 17 May 1977, the Council, after consulting Parliament, amended the basic Regulation on sugar. This amendment³ was intended to implement certain decisions taken by the Council when fixing agricultural prices for the 1977/78 marketing year. Thus, the Council:

- introduced a new method for calculating the intervention price for white sugar whereby that price and the target price are fixed without including the storage charge which will henceforth be incorporated

¹ Regulation (EEC) No 1386/77, OJ L 158 of 29. 6. 1977.

² Regulation (EEC) No 1158/77, OJ L 136 of 2. 6. 1977.

³ Regulation (EEC) No 1110/77, OJ L 134 of 28. 5. 1977.

in the price when the sugar is sold by the intervention agency. The Community intervention price has thus become a net amount which is actually paid over to Community producers. This amendment marks the fulfilment of the wish expressed by the Council in 1976 that a method of calculation of sugar prices be found which would ensure the comparability of the returns enjoyed by the ACP sugar cane producers under Protocol No 3 to the Lomé Convention with the returns guaranteed to Community beet sugar producers;¹

- excluded isoglucose from the field of application of the basic Regulation on sugar and laid down common rules for isoglucose² on the same occasion;
- reduced the overall losses resulting from the disposal of 'B' sugar, export refunds and the production levy on isoglucose, by taking these overall losses as the basis for calculation of the production levy on sugar;
- authorized the Italian Republic to maintain at 9.9 u.a./tonne the amount of the adaptation aid for the 1977/78 marketing year for the 'A' quota, including a supplement of 100 000 tonnes, which applied to the 1976/77 marketing year and which should have been reduced to 5.9 u.a./tonne.

374. On 14 November 1977 the Commission submitted to the Council a proposal – currently being examined – designed to extend to syrups obtained downstream from solid sugar of Community origin and to syrups obtained from preferential sugar the system of compensation for storage charges provided for in Article 8 of the basic Regulation on sugar which is already applicable to other syrups, and to supplement (with a view to facilitating exports of Community sugar surpluses) the list of processed products eligible for export refunds on account of their saccharose content.

(g) *Wine*

(i) Amendment of the basic Regulation on wine

375. In 1977, the Council continued its work on improving the rules for the common organization of the market in wine, which had included the

¹ See 24th Review, paragraph 330.

² See paragraph 357 of this Review.

adoption in 1976 of a set of Regulations entering into force on 1 September 1976.¹ It was therefore largely on the basis of the experience acquired in the application of these Regulations that the Council applied itself in 1977 to drafting a set of measures with the following areas of impact:

- the adjustment of intervention rules, the simplification of administrative procedures and the laying down of technical specifications;
- the introduction of new provisions regarding oenological practices and processes;
- amendments regarding the maximum SO₂ content of wines other than liqueur wines.

In the context of the first-mentioned measures, the Council, acting on a proposal from the Commission and after obtaining the opinions of Parliament and the Economic and Social Committee, adopted Regulation (EEC) No 1677/77² on 19 July 1977 and, again on the basis of a modified proposal from the Commission, Regulation (EEC) No 2211/77³ on 27 September 1977.

376. With these Regulations, the Council:

- improved the method of observation of prices in the wine market with a view to greater efficiency in the context of such intervention measures as might have to be taken in the light of the different situations observed in the market, particularly in respect of private storage contracts;
- redefined the abovementioned method for grape musts and concentrated grape musts, to ensure the availability of appropriate specific measures when required;
- adjusted the activating conditions for preventive distillation and for the distillation of wines suitable for producing certain potable wine spirits with a registered designation of origin;
- modified the conditions and procedures for the acidification and deacidification of wines and musts, by permitting, in the event of

¹ See 24th Review, paragraphs 293–302.

² OJ L 187 of 27. 7. 1977.

³ OJ L 256 of 7. 10. 1977.

- exceptional climatic conditions, in certain installations and during a limited period of the year, the additional acidification of wines from zones C II and C III, a possibility which had previously been restricted to grape musts;
- simplified the administrative procedures required for the importation , of certain quality wines.

377. The Council also inserted amendments in the CCT and the corresponding parts of the Regulations on the common organization of the market;¹ hence the amendment in Regulation (EEC) No 2560/77 of 7 November 1977,² which was adopted on the basis of a proposal from the Commission after obtaining the opinion of Parliament, and of Annex IV of Regulation (EEC) No 816/70, in so far as tariff subheadings 20.07 A I and B I (grape juice) are concerned.

(ii) Oenological practices and processes

378. In the case of the second type of measure relating to oenological practices and processes, and involving amendment of the basic Regulation on wine, the relevant new provisions were introduced by Regulation (EEC) No 1678/77 of 19 July 1977;³ this legal act was the crowning achievement of a study which began in 1973 on the basis of the proposal put forward by the Commission⁴ on 16 May of that year.

It should be noted, in comparison with the initial proposal, that the Regulation in question contains a more structured and more comprehensive set of measures which take account of the scientific and, above all technological developments which have occurred in the meantime.

The provisions adopted by the Council lay down additional common rules relating to the composition and processing of wine for the purpose of ensuring proper vinification and preservation; they lay down in particular, in a new Annex IIa to the basic Regulation, the list of products and processes which may be used at the different stages of oenological operations and the maximum amounts which may be used. Provision is also made for the authorization, for experimental purposes,

¹ See paragraph 364 of this Review.

² OJ L 303 of 28. 11. 1977.

³ OJ L 187 of 27. 7. 1977.

⁴ See 21st Review, paragraph 187.

of new oenological practices and processes and for certain authorizations, which may either be granted directly or by the Member States concerned, to carry out certain oenological operations for a limited period. The abovementioned provisions will enter into force on 1 September 1978, with the exception of those relating to temporary authorizations which have already been applicable since 1 September 1977.

Lastly, it should be noted that the rules in question are to be supplemented by the definition, across the board, in application of Article 100 of the Treaty, of the specific purity criteria for the substances to be used in the making of wine; the Commission will also have to adopt, by the 'Management Committee procedure' the detailed rules required for the successful application of the Regulations in question.

(iii) Sulphur dioxide content

379. Likewise to be viewed as an integral part of the progressive harmonization of wine-making methods is the work carried out by the Council in 1977 on the maximum SO₂ content of wines other than liqueur wines.

In fact, pending the overall revision of the Community rules for the oenological use of the product in question, and bearing in mind the possible use of substitutes, the Council, acting on a proposal from the Commission after obtaining the opinion of Parliament, took the initial step of extending for twelve months, as from 1 March 1977, the final dates for certain special maximum levels as laid down both in Regulation (EEC) No 816/70 and in the rules relating to the various types of sparkling wines.¹

Subsequently, the Council carried out a thorough revision of the Community regulations in this field with a view to reducing the maximum amounts of SO₂ used in wine-making.

380. Regulation (EEC) No 1679/77 of 19 July 1977,² adopted on the basis of a proposal from the Commission after obtaining the opinion of Parliament and the Economic and Social Committee, provides in fact

¹ Regulations (EEC) No 528/77 and (EEC) No 529/77 respectively, adopted on 14 May 1977, OJ L 69 of 16. 3. 1977.

² OJ L 187 of 27. 7. 1977.

for the reduction of the present maximum sulphur dioxide levels of most wines¹ and lays down rules for wines with special characteristics, such as certain white liqueur-like wines (e.g. 'Sauternes' and 'Beerenauslese'), in which higher levels are justified. The Regulation also lays down the procedures for taking decisions in certain wine-growing areas in the event of exceptional climatic conditions and for deciding on future reductions in the light of advances in scientific and technical knowledge.

381. The maximum permitted sulphur dioxide content of sparkling wines and that of quality sparkling wines and quality sparkling wines psr remain unchanged (250 and 200 mg/l respectively), but the special provisions permitting an increase in these levels in certain wine-growing areas have been repealed; the procedures for the future reduction of the maximum sulphur dioxide levels also apply to the various types of sparkling wines.

382. All the abovementioned provisions will be applicable, as will those relating to oenological practices and processes, as from 1 September 1978, the deadline of 28 February 1978 laid down in Regulations (EEC) No 528/77 and 529/77 having been extended by six months.

(iv) Adjustment of production to requirements

383. By way of application of the system of conversion premiums in the wine sector, the Council several times amended its Regulation (EEC) No 1163/76 in the light of the results obtained in the course of the first months of application of the system, with a view to improving its effectiveness in the general context of the set of measures approved in 1976. On 14 March 1977 the Council availed itself of the procedures covered by Article 4 (5) of Regulation (EEC) No 1163/76, as amended by Regulation (EEC) No 3141/76, to adopt a Regulation² based on a proposal from the Commission extending to 31 December 1977 and 31 December 1978 respectively (instead of 1 April of these two years) the time-limits for lodging applications for premiums for the 1977/78 and 1978/79 wine years laid down in Article 3 (1) of its basic Regulation

¹ Thus, the maximum permitted sulphur dioxide content of red wines will be reduced from 200 to 175 mg/l and that of white and rosé wines from 250 to 225 mg/l.

² Regulation (EEC) No 530/77, OJ L 69 of 16. 3. 1977.

in this sector. By this measure, the Council proposed to make it easier for wine growers to relate their decisions to the harvest as well as to the usual timing of grubbing-up operations.

384. On the basis of two proposals submitted by the Commission on 14 April 1977, the Council subsequently amended the system of conversion premiums; in its Regulation (EEC) No 1056/77 of 17 May 1977,¹ adopted after consulting Parliament, the Council:

- (a) abolished the degressivity of the premiums over the three wine years of application of this measure, thus maintaining the premiums for the 1977/78 and 1978/79 wine years at the level of the wine year 1976/77;
- (b) postponed until 15 June 1977 the final date for the grubbing of vines for the 1976/77 wine year;
- (c) amended Article 4 (5) of Regulation (EEC) No 1163/76, with a view to supplementing the elements which may be submitted to a simplified amendment procedure, by a reference to the deadline for grubbing up.

385. On 17 February 1977, in accordance with the provisions of Article 17 (4) of the basic Regulation, the Commission submitted a report on the problems of wine production potential setting forth the possible guidelines for a structural policy in the table wines sector.

The report prompted the Council to attempt to balance production and requirements in three ways comprising, without prejudice to any scale of priorities or specific measures to be decided by the Council, the structural improvement and conversion of areas under vines, the reinforcement of measures to improve outlets and the improvement of the mechanisms of the wine market.

It should also be noted that the Commission announced at the end of December 1977 that it was submitting to the Council a proposal for a Decision on the Programme for accelerating the restructuring and conversion of wine-growing in the Languedoc-Roussillon region, in the context of the measures envisaged to assist agriculture in the Mediterranean regions of the Community.

¹ OJ L 128 of 24. 5. 1977.

386. On 22 November 1977, the Commission submitted to the Council a proposal for a Regulation on statistical surveys of areas under vines. This proposal is intended to implement a statistical system which meets the requirements of management and programming in the wine sector and is intended to replace the total restructuring of the viticultural land register planned for 1979.

(h) *Fresh fruit and vegetables*

(i) Community citrus fruit

387. Taking into account the experience acquired with the Community regulations regarding citrus fruit and particularly with the special measures laid down in December 1969 for improving production and marketing in this sector,¹ the Council made certain amendments to the measures in question with a view to rendering them more effective.

Additional aid to small growers

This aid is intended to offset part of the loss of income incurred by small growers replanting in accordance with the regulations in force. Experience has shown, however, that certain conditions for granting this additional aid have greatly restricted the number of its recipients. Hence the enactment by the Council, on 14 February 1977, of various technical amendments relaxing the conditions for granting the aid in question.²

Financial compensation for Community lemons

Experience having shown that the system of financial compensation ('marketing premium'), as extended to lemons in 1975,³ had in fact encouraged the marketing of better quality fruit, the Council decided on 17 May 1977, after consulting Parliament and with a view to further encouraging this trend, that the abovementioned premium should again be granted for the 1977/78 marketing year.⁴

¹ See 18th Review, paragraph 154, and 24th Review, paragraph 352.

² Regulation (EEC) No 340/77, OJ L 48 of 19. 2. 1977.

³ See 23rd Review, paragraph 380.

⁴ Regulation (EEC) No 1034/77, OJ L 125 of 19. 5. 1977.

Disposal of oranges withdrawn from the market

The common organization of the market in fresh fruit and vegetables provides a series of options for the disposal of products withdrawn from the market, including distribution to relief organizations and charities, disposal for non-alimentary use, free distribution to schoolchildren, disposal to the processing industry of certain categories of the products in question, etc.

Experience has shown that among these alternative channels of disposal of products withdrawn from the market, the method consisting in disposal to the processing industry ought to be more regularly taken into consideration when the other measures provided for are inapplicable for practical or technical reasons. That being the case with blood oranges, and as the situation is likely to persist over the next few marketing years, the Council, after consulting Parliament, adopted on 17 May 1977 the Regulation embodying this principle, although the disposal of blood oranges to the processing industry was restricted to the three marketing years 1977/78 to 1979/80.¹

Improvement in the system of reference prices

As indicated in the preceding Review,² the Commission submitted to the Council in July 1976 a proposal aimed at improving the efficacy of the system of reference prices. However, the Council's departments have not yet completed their examination of this proposal. The reason, in the opinion of all the Member States, is that the proposed technical amendments to the system, whose applicability is in dispute, should not be embodied in a special Council Regulation but should preferably be taken into consideration on the occasion of the general revision of the system of reference prices envisaged in the context of the measures to be taken with a view to developing the Mediterranean regions of the Community.

Lastly, on 7 November 1977, the Commission submitted to the Council a proposal which was mainly intended to ensure, through the modification of the used method for calculating their reference price, a greater degree of Community preference for the products eligible for a marketing premium, i.e. oranges, mandarins and lemons. The Council

¹ Regulation (EEC) No 1034/77, OJ L 125 of 19. 5. 1977.

² See 24th Review, paragraph 356.

has instructed its competent department to examine this draft Regulation.

- (ii) Extension of the period in which certain Class III fruit and vegetables can be marketed

388. At its meeting of 5–6 December 1977, with a view to not depriving producers, on the one hand, of a major source of income, and certain consumers with modest incomes, on the other hand, of the possibility of obtaining supplies at advantageous prices, the Council decided to extend to 31 December 1982 the authorization to market seventeen types of fruit and vegetables meeting the quality standards of Class III.¹

- (i) *Processed fruit and vegetables*

- (i) Legislative consolidation of the Regulations adopted by the Council since 1968 in this sector

389. In November 1976 the Commission had submitted to the Council a proposal on the legislative consolidation of the acts of the Council adopted since the enactment of basic Regulation No 865/68 in the sector concerned. On 14 March 1977, after consulting Parliament, and by the same procedure as that followed in 1975 in the cereals sector,² the Council accordingly adopted a set of twelve Regulations replacing the original basic Regulation and the numerous amendments and rules relating to the application thereof.³

- (ii) Measures to safeguard the competitive position of the Community processing industry in this sector

390. During the period under review, the Council again had to deal with the problems encountered by the fruit and vegetable processing industry of certain Member States in facing the competition of preserved products imported from third countries. This is mainly because the cost of raw material and production costs in general have risen more sharply in the Community than in the non-member countries which export the

¹ Regulation (EEC) No 2764/77, OJ L 320 of 15. 12. 1977.

² See 23rd Review, paragraph 371.

³ Regulations (EEC) No 516/77 to 527/77, OJ L 73 of 21. 3. 1977.

products in question. To rectify this situation, the Council temporarily established a system of financial compensation for the processors of lemons harvested in the Community.

This measure is intended, as is already the case with oranges,¹ to encourage the marketing of products processed from lemons harvested in the Community.

To that end, and after consulting Parliament, the Council decided on 17 May 1977² that processors of Community lemons should be eligible, providing they paid producers a minimum price to be fixed on an annual basis, for a Community aid which would compensate for the difference between the abovementioned minimum purchase price and the price paid for the raw material by processors in non-member countries.

However, pending the effects of the reorganization measures currently being taken with the aid of the Community in the lemon sector, the payment of this financial compensation is limited to the three marketing years 1977/78 to 1979/80.

(j) *Vegetable oils (olive oil)*

391. In December 1977, the Commission submitted to the Council, in response to its declarations since 1974, a proposal for a Regulation amending Regulation No 136/66/EEC establishing a common organization of the markets in vegetable oils and, more particularly, olive oil.

This proposal, which is an integral part of the measures envisaged to assist Mediterranean agriculture, mainly involves major amendments to the systems of aid to producers, the intervention system and the trading arrangements with non-member countries.

There are also provisions regarding the powers to be assigned to producer groups in the olive-oil sector.

Lastly, the Commission intends to supplement its proposal by structural measures aimed at the rationalization of production and its reorientation towards other outlets such as that for table olives.

¹ See 18th Review, paragraph 155.

² Regulation (EEC) No 1035/77, OJ L 125 of 19. 5. 1977.

The Council has agreed to examine the proposal in question with a view to the implementation of the new arrangements as from 1 November 1978, the date of commencement of the Community marketing year for olive oil.

(k) *Hops*

- (i) Strengthening of the common organization of the market in this sector

392. Following its Resolution of 20 July 1976 on the new guidelines for stabilizing the market in hops,¹ the Council, after consulting Parliament and the Economic and Social Committee, amended certain provisions of the basic Regulation on hops with a view to dealing more effectively with the structural imbalance between supply and demand in this market.

The Regulation adopted by the Council on 17 May 1977² for that purpose, provides for:

- the adoption of a policy of quality at Community level, through the introduction of a certification system for hops and hop products as a condition for their being placed on the market;
- the calculation of the average income obtained by producers, to serve as the essential factor in fixing the amount of aid, which is based solely on the areas in full production;
- the possibility of granting aid per hectare not for single varieties but for groups of varieties with common characteristics and the same ultimate use, so as to enhance the impact of production policy;
- the strengthening of the powers and responsibilities of producer groups with regard to production policy and the management of supply;
- the possibility, in the event of structural surpluses, of imposing restrictive measures with regard to the granting of aid per hectare;
- the possibility, where there is an actual or imminent structural surplus, of taking appropriate measures in response to a proposal from the Commission;

¹ See 24th Review, paragraph 304.

² Regulation (EEC) No 1170/77, OJ L 137 of 3. 6. 1977.

- the prohibition, for a period of two years, of any increase in the Community areas under hops;
- the extension, for a further two years, of the period for granting aid for conversion to other varieties, providing such operations entail a reduction of at least 40 % in the area concerned, in view of the need to reduce the areas currently under hops in the Community.

(ii) Implementation of the new system

393. With a view to the implementation of the new policy thus laid down for hops, the Council adopted three Regulations during the period under review. These relate to the certification of hops, the structural measures to be taken in this sector and certain technical measures, particularly with regard to the granting of aid for the setting up and operation of producer groups.

In the first of these Regulations, adopted on 19 July 1977,¹ the Council laid down the general rules for the certification of hops (products covered, information required for certification, marketing requirements), and according to the amended basic Regulation, Community hops and their products must conform with that system if they are to be placed on the market.

The Regulation on structural measures in the sector concerned was adopted by the Council on 11 October 1977.² It prohibits the extension (up to 31 December 1979) of the areas under hops registered at 30 June 1977, for each individual producer, while still offering the possibility of conversion of hop gardens. In the same Regulation, the Council laid down that the aid for conversion to other varieties and for the reorganization of hop gardens (calculated on the basis of actual expenditure, subject to an upper limit of 1 800 u.a./ha and payable only to recognized producer groups) shall be payable only if the area registered is reduced by at least 40 %.

The third of these Regulations, which was also adopted by the Council on 11 October 1977,³ following the establishment by the Council of the general rules on the granting of aid for conversion and reorganization, amends certain provisions of the Regulation on the granting and reimbursement of aid accorded by the Member States to recognized producer groups.

¹ Regulation (EEC) No 1784/77, OJ L 200 of 8. 8. 1977.

² Regulation (EEC) No 2253/77, OJ L 261 of 14. 10. 1977.

³ Regulation (EEC) No 2254/77, OJ L 261 of 14. 10. 1977.

C – Management of the common organization of the markets

1. CEREALS

(a) Cereal prices

394. At its meeting of 17 May 1977, and in accordance with the agreement in principle regarding the prices of certain agricultural products and certain related measures for the 1977/78 marketing year, as reached in Council in April 1977, the Council laid down the prices for the main cereals,¹ as shown in the following table:

Prices and fixed amounts

Products	Type of price or amount	Fixed amounts 1976/77 u.a./tonne	Fixed for 1977/78	
			Absolute value (u.a./tonne)	Percentage in- crease in 1977/78 over 1976/77
1	2	3	4	5
Durum wheat	Target price Single intervention price Aid (restricted to certain regions)	218.80 202.00 0.21-50 u.a./ha	224.27 203.01 60 u.a./ha	2.5 0.5 —
Common wheat	Target price Single common intervention price Single intervention price for common wheat of bread-making quality Reference price for common wheat of bread-making quality	152.00 — 131.00 —	158.08 120.06 — 135.59	4.0 — — —
Barley	Target price Single intervention price Single common intervention price	137.80 116.00 —	144.97 — 120.06	5.2 — 3.5
Rye	Target price Single intervention price	149.15 124.00	155.12 128.96	4.0 4.0
Maize	Target price Single intervention price	137.80 112.20	144.97 118.03	5.2 5.2

¹ Regulation (EEC) No 1152/77, OJ L 136 of 2. 6. 1977.

¹ See 24th Review, paragraph 311.

The table shows that the policy followed by the Community over the past few years in the cereals sector, which is characterized by concern for improving the balance between the prices of the various cereals and promoting Community preference for these products, was maintained during the period under review. The prices of feed-grain were in fact raised by a greater margin (4-5 % expressed in u.a.) than the price of wheat (3.5 %). Furthermore, the increase of over 5 % in the target prices for feed-grain, and consequently in their threshold prices, is significantly greater than the upward adjustment of the intervention prices for these cereals, thus strengthening the protection enjoyed by these products *vis-à-vis* non-member countries.

In the case of common wheat, it should be noted that the Council, as agreed in the previous year,¹ has fixed for this cereal, when of breadmaking quality, the reference price provided for in the revised basic Regulation and applicable from 1 August 1977. Its level (135.59 u.a.), which will be supported by specific intervention measures if this is rendered necessary by the market situation, is 1.5 % above that of the intervention price for common wheat of bread-making quality fixed for the previous marketing year. By way of derogation from the provisions of the amended basic Regulation,¹ and to balance the prices of common wheat and feed-grain, the said reference price has been fixed for the 1977/78 marketing year for common wheat of minimum bread-making quality. This quality requirement (to be checked by a mechanical kneading test) will be deemed to have been met when the dough obtained from such wheat does not stick during the mechanical kneading process.²

Lastly, on 17 May 1977, the Council, after consulting Parliament, supplemented the Regulation fixing standard qualities,³ for which the target and intervention prices of the main cereals are fixed, to take account of the fact that the standard quality for common wheat of bread-making quality can also be applied to the reference price for that cereal.

The Council approved the threshold prices for cereals for the 1977/78 marketing year on 20 June 1977.⁴ They are higher than those

¹ See paragraph 389 of this Review.

² Regulation (EEC) No 1155/77, OJ L 136 of 2. 6. 1977.

³ Regulation (EEC) No 1156/77, OJ L 136 of 2. 6. 1977.

⁴ Regulation (EEC) No 1360/77, OJ L 156 of 25. 6. 1977.

fixed for the preceding marketing year, particularly in the case of feed-grain. The threshold prices for cereals thus follow the trend of target prices, with due allowance for variations in the cost of transport of cereals.

(a) *Aid to producers of durum wheat*

395. In accordance with the guidelines taken into account when the system of aid to producers of durum wheat was revised in 1976,¹ the Council decided on 17 May 1977,² after consulting Parliament, to restrict the encouragement of production of this cereal in the 1977/78 marketing year to the granting of an aid of 60 u.a./ha to twelve administrative regions of Italy and certain mountain areas and less-favoured areas in that country, in order to maintain the level of producers' incomes in those unproductive regions.

(c) *Monthly price increases for cereals*

396. Taking account of the increase in storage costs and interest charges for storing cereals, the Council decided on 17 May 1977³ to augment by approximately 3 % the amounts of the monthly price increases for cereals for the marketing year 1977/78, in order to compensate for these storage costs.

(d) *The prices of cereals in accordance with the Act of Accession*

The Act of Accession having laid down that the cereal prices fixed for the new Member States shall be aligned with the level of the common prices in six stages, the Council carried out the last alignment of these prices on 20 July 1977 by fixing the accession compensatory amounts and the corresponding coefficients applicable, until 31 December 1977, to trade in common wheat and barley.⁴ As from the marketing year 1978/79, the prices of cereals expressed in u.a. will therefore be at the same level in all the Member States of the Community.

¹ See 24th Review, paragraph 283.

² Regulation (EEC) No 1153/77, OJ L 136 of 2. 6. 1977.

³ Regulation (EEC) No 1154/77, OJ L 136 of 2. 6. 1977.

⁴ Regulation (EEC) No 1666/77, OJ L 186 of 26. 7. 1977.

(e) *Measures to avoid disturbances of the cereals market in Italy*

397. At its meeting of 15 March 1977, as in the preceding year,¹ the Council made available to the Italian intervention agency 300 000 tonnes of common wheat of bread-making quality held by the German intervention agency,² in order to alleviate possible shortages of common wheat on the Italian market. On 18 July 1977, for practical reasons, this measure³ which was originally intended to expire on 31 July 1977, was extended to 31 December 1977.

For the same reasons, the Council decided on 11 October 1977 on the transfer to the Italian intervention agency of a second tranche of 200 000 tonnes of common wheat of bread-making quality held by the German intervention agency.⁴

In view of the fact that, in spite of the efforts made, the structural improvement of Italian ports had not been completed as quickly as expected, the Council decided on 17 May 1977⁵ to maintain, for the 1977/78 marketing year, the measure authorizing the Italian Government to reduce by 3 u.a./tonne, the levy on imports of feed-grain by sea, although this measure should have expired at the end of the 1976/77 marketing year.¹

2. STARCH PRODUCTS

398. To allow for the rise in suppliers' prices for raw materials for the cereals processing industry following the increase in the common price of cereals for the 1977/78 marketing year, as laid down by the Council,⁶ the latter adopted on 20 July 1977 a Regulation⁷ increasing, with its amendment dated 27 September 1977,⁸ the production refunds for starch products to levels approximately 21 % higher than those fixed in July 1976 for the products in question (maize, common wheat, broken

¹ See 24th Review, paragraph 312.

² Regulation (EEC) No 564/77, OJ L 72 of 19. 3. 1977.

³ Regulation (EEC) No 1640/77, OJ L 183 of 22. 7. 1977.

⁴ Regulation (EEC) No 2255/77, OJ L 261 of 14. 10. 1977.

⁵ Regulation (EEC) No 1157/77, OJ L 136 of 2. 6. 1977.

⁶ See paragraph 355 of this Review.

⁷ Regulation (EEC) No 1665/77, OJ L 186 of 26. 7. 1977.

⁸ Regulation (EEC) No 2139/77, OJ L 249 of 30. 9. 1977.

rice, potato starch).¹ By the same Regulation, the Council increased the minimum price payable by starch manufacturers to potato growers, so as to maintain a balance between the prices of starch and potato starch. Lastly, the Regulation in question put an end, in accordance with the Council's Decision on this subject in July 1976,¹ to the eligibility for production refunds of products intended for the manufacture of isoglucose and adapted certain technical provisions to the new definition of isoglucose laid down by the Council on 17 May 1977.²

3. RICE

(a) *Rice prices*

399. On 17 May 1977, in accordance with its amendments to the provisions of the basic Regulation relating to prices in this sector³ the Council fixed the prices for the 1977/78 marketing year, i.e. the target price for husked rice and the single intervention price for paddy rice.⁴ In line with the uptrend in the prices of other cereals, the Council fixed the prices in question at levels 3.8 % and 4.5 % higher, respectively, than those for the preceding marketing year.

The threshold prices for round-grained husked rice and broken rice were fixed by the Council on 18 July 1977,⁵ after it had decided, on 17 May 1977, to maintain the amount to be included in the threshold price for wholly milled rice, for the protection of the Community industry,⁶ at the level fixed for the preceding marketing year.

(b) *Monthly rice price increases*

400. On 17 May 1977, for the same reasons as for other cereals,⁷ but taking into account the special characteristics of rice-growing, the Council augmented by 3.4 % the monthly increases applicable to the intervention and target prices of rice.⁸

¹ See 24th Review, paragraph 313.

² Regulation (EEC) No 1111/77, OJ L 134 of 28. 5. 1977.

³ See paragraph 351 of this Review.

⁴ Regulation (EEC) No 1159/77, OJ L 136 of 2. 6. 1977.

⁵ Regulation (EEC) No 1639/77, OJ L 183 of 22. 7. 1977.

⁶ Regulation (EEC) No 1161/77, OJ L 136 of 2. 6. 1977.

⁷ See paragraph 355 of this Review.

⁸ Regulation (EEC) No 1160/77, OJ L 136 of 2. 6. 1977.

4. PROCESSED PRODUCTS DERIVED FROM CEREALS – MANAGEMENT OF THE MARKETS

(a) Pigmeat (prices)

401. In this sector, the Commission had proposed, for the 1977–78 marketing year commencing on 1 November 1977, that the basic price for slaughtered pigs be raised from 114.48 u.a./100 kg to 119.06 u.a./100 kg, i.e. + 4 % compared with that fixed for the 1976/77 marketing year. In the Commission's opinion, in view of the sluice-gate price and levy applicable as from 1 August of each year, this price would ensure the stabilization of prices in the markets without provoking structural surpluses in the Community.

The Council broadly followed the line proposed by the Commission, but considered it desirable to fix a price of 120.20 u.a./100 kg which was slightly above the level proposed by the latter. This Council Decision was taken in the context of fixing agricultural prices for the 1977/78 marketing year and is formally laid down in Regulation (EEC) No 1065/77 of 17 May 1977.¹

(b) Eggs and poultry

(i) Water content of frozen poultry

402. On 13 July 1977, the Commission submitted to the Council a proposal for amending Council Regulation (EEC) No 2967/76² laying down common standards for the water content of frozen and deep-frozen chickens, hens and cocks, with the double purpose of clarifying the provisions of this Regulation (which also apply to exports of these products to non-member countries) and, since most member countries were not yet in a position to comply with the dates of application stipulated in the Regulation, of extending these deadlines by three months. In view of the problems arising with regard to the applicability of the abovementioned Regulation to exports, the Council took the initial measure of extending the deadlines as above³ and agreed to continue its examination of the second aspect of the Commission's proposal. By the end of 1977 these deliberations had still not led to any definite conclusion on the part of the Council, largely

¹ OJ L 129 of 25. 5. 1977.

² OJ L 339 of 8. 12. 1976.

³ Regulation (EEC) No 1691/77, OJ L 188 of 28. 7. 1977.

because it has not yet been possible to define a uniform method of determining the water content at Community level.

(ii) Sluice-gate price and levy

403. On 11 October 1977, the Council again intervened in this sector and adopted Regulations (EEC) No 2299/77 and 2300/77¹ respectively amending Regulations (EEC) No 2778/75 and 2773/75 which lay down the rules for calculating the levy and sluice-gate price applicable to the poultrymeat and egg sectors and Regulation (EEC) No 950/68 on the Common Customs Tariff.

5. MILK AND MILK PRODUCTS

(a) *Market situation and action programme*

(i) Market situation

404. As in earlier years, the Community market for milk and milk products was characterized by structural over-production. Milk production, which had risen by 2 % in 1976, again increased in 1977, partly because of the increase in the number of cows and partly because of improved yields.

(ii) Action programme

405. In view of the situation on the production side and the slightly downward trend, overall, in the consumption of milk products in the Community, the Council adopted a number of measures aimed at ensuring the gradual re-establishment of equilibrium in the market for milk and milk products. This action programme for milk and milk products, which was adopted by the Council after consulting Parliament and the Economic and Social Committee, when fixing agricultural prices for the 1977/78 marketing year, broadly covers the period to 1980.

(iii) The co-responsibility levy

406. Foremost among the measures adopted in this context is Regulation (EEC) No 1079/77 of 17 May 1977,² introducing a co-responsibility levy and measures for expanding the markets in milk

¹ OJ L 271 of 22. 10. 1977.

² OJ L 131 of 26. 5. 1977.

and milk products, the principle and detailed provisions of which were discussed at length by the Council. This Regulation, which was several times amended by the Commission in the course of the Council's deliberations, provides for the fixing, up to the end of the 1979/80 milk year, of a co-responsibility levy payable by all milk producers on milk supplied to undertakings treating or processing milk. The levy, to be fixed on an annual basis for each milk year, is equivalent to at least 1.5 %, but cannot exceed 4 %, of the milk target price fixed for the milk year in question; it was fixed for the first time, as from 16 September 1977, at the level of 1.5 %.

This Regulation is inspired by concern for the gradual balancing of production and market requirements and for cutting the high costs incurred by the Community as a result of the current surplus, and by the idea that the producers themselves, with the exception of those in certain mountain areas, should bear some part of the responsibility for the creation of any future surpluses.

The product of the co-responsibility levy is to be used for specific measures to enlarge the markets and ensure the disposal of surpluses not only within the Community but also world-wide.

(iv) Other measures

407. The other measures adopted in the context of the action programme are as follows:

- the granting of a consumer subsidy for butter;¹
- the prohibition of inward processing arrangements in respect of skimmed-milk powder and butter;²
- the introduction of a special aid for skimmed milk and skimmed-milk powder for use as feed;³
- the introduction of a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds;⁴
- the supply of milk and certain milk products at reduced prices to schoolchildren;⁵

¹ Regulation (EEC) No 880/77, OJ L 106 of 29. 4. 1977.

² Regulation (EEC) No 875/77, OJ L 106 of 29. 4. 1977.

³ Regulation (EEC) No 876/77, OJ L 106 of 29. 4. 1977, as amended by Regulation (EEC) No 2624/77, OJ L 306 of 30. 11. 1977.

⁴ Regulation (EEC) No 1078/77, OJ L 131 of 26. 5. 1977.

⁵ Regulation (EEC) No 1080/77, OJ L 131 of 26. 5. 1977.

- the temporary suspension of aids for the purchase of dairy cows and of heifers intended for milk production;¹
- the introduction of Community measures to accelerate the eradication of brucellosis, tuberculosis and leucosis in cattle.²

408. All these measures, which were mainly intended to have medium- and longer-term effects, did not produce any particularly noteworthy results in terms of reduced production or increased consumption in 1977. Thus, in particular, the intervention stocks of skimmed-milk powder were still high at the end of 1977,³ even if public stocks of intervention butter had fallen in comparison with the preceding year, largely as a result of the 'Christmas Butter' operation which ensured the release of 70 000 tonnes of refrigerated butter at a reduced price. On that occasion, the Council granted Italy a subsidy for fresh butter because that country has no stocks of (refrigerated) intervention butter.⁴

(b) *Management measures not covered by the action programme*

(i) *The transfer of butter and milk powder to Italy*

409. In view of the structural deficit in the milk and milk products sector in Italy, the Council not only extended to 1 July 1978⁵ the deadline of 1 April 1977 initially laid down in Regulation (EEC) No 2452/76 for placing 10 000 tonnes of Community butter on the Italian market but also adopted a Regulation on the transfer to the Italian intervention agency of 20 000 tonnes of skimmed-milk powder for use in animal feed.⁶

(ii) *The fat content of milk*

410. On 14 March 1977, the Council adopted Regulation (EEC) No 540/77 fixing for the 1977/78 milk year the guideline figure for the fat

¹ Regulation (EEC) No 1081/77, OJ L 131 of 26. 5. 1977.

² Directive 77/391/EEC, OJ L 145 of 13. 6. 1977.

³ Public stocks of butter: ± 120 000 tonnes at 1. 1. 1978 (176 000 tonnes at 1. 1. 1977). Public stocks of skimmed-milk powder: ± 100 000 tonnes at 1.1.1978 (1140 000 tonnes at 1. 1. 1977).

⁴ Regulation (EEC) No 2291/77, OJ L 268 of 20. 10. 1977.

⁵ Regulation (EEC) No 539/77, OJ L 70 of 17. 3. 1977, as amended by Regulation (EEC) No 1392/77, OJ L 158 of 29. 6. 1977 and by Regulation (EEC) No 2585/77, OJ L 301 of 25. 11. 1977.

⁶ Regulation (EEC) No 1621/77, OJ L 181 of 21. 7. 1977.

content of standardized whole milk imported into Ireland and the United Kingdom.¹ These levels were fixed at 3.52 % for Ireland and 3.77 % for the United Kingdom.

(c) *Prices*

411. On 26 April 1977, after extending the previous milk year to 30 April 1977,² the Council fixed the prices in the milk sector for the 1977/78 marketing year.

The target and intervention prices laid down were as follows:³

	u.a. per 100 kg		
	1976/77 marketing year		1977/78 marketing year
	15 March	16 September	1 May
(a) Target price for milk	16.29	16.76	17.35
(b) Intervention price:			
Butter:			
— in Ireland	210.35	216.03	226.96
— in the United Kingdom	172.36	176.62	205.45
— in the other Member States and as from 1. 1. 1978 in all the Member States	218.08	223.80	230.95
Skimmed-milk powder	90.16	91.37	94.09
Grana Padano cheese:			
— from 30 to 60 days	208.91	213.79	223.72
— in batches of an average age of 6 months	250.69	255.84	269.34
Parmigiano Reggiano cheese in batches of an average age of 6 months	271.81	276.96	292.57

¹ OJ L 70 of 17. 3. 1977.

² Regulation (EEC) No 648/77, OJ L 82 of 31. 3. 1977.

³ Regulation (EEC) No 872/77, OJ L 106 of 29. 4. 1977.

At the same time as it fixed the target and intervention prices, the Council amended the threshold prices for certain milk products¹ and the conditions of entry of certain cheeses and their nomenclature in the Common Customs Tariff.²

(d) *New Zealand butter*

412. On 27 September 1977, the Council adopted Regulation (EEC) No 2157/77³ fixing the price to be observed at the cif stage for imports of New Zealand butter and cheese into the United Kingdom under Protocol 18 annexed to the Act of Accession. Under the abovementioned Protocol 18, the authorized quantity of United Kingdom imports of New Zealand butter was fixed at 138176 tonnes for 1977; for 1978, this quantity was fixed at 125 000 tonnes.⁴ The special arrangements for New Zealand cheeses under Protocol 18 will expire on 1 January 1978 (quantity authorized in 1977: 15 240 tonnes).

6. BEEF AND VEAL

(a) *Prices*

413. On 26 April 1977,⁵ after extending the 1976/77 marketing year,⁶ and taking account of the opinions of Parliament and the Economic and Social Committee, the Council fixed the guide prices for adult bovine animals for the 1977/78 marketing year as follows:

(u.a. per 100 kg liveweight)

Ireland and the United Kingdom	Other Member States and, as from 1. 1. 1978, all the Member States
118.27	122.90

414. In view of the market price situation and the high levels of intervention stocks, the Council also decided to make an exception to the rules laid down in Article 6 of the basic Regulation and not to pass on

¹ Regulation (EEC) No 873/77, OJ L 106 of 29. 4. 1977.

² Regulation (EEC) No 874/77, OJ L 106 of 29. 4. 1977, as amended by Regulation (EEC) No 1638/77, OJ L 183 of 22. 7. 1977.

³ OJ L 250 of 30. 9. 1977.

⁴ Regulation (EEC) No 1655/76, OJ L 185 of 9. 5. 1976.

⁵ Regulation (EEC) No 869/77, OJ L 106 of 29. 4. 1977.

⁶ Regulation (EEC) No 649/77, OJ L 82 of 31. 3. 1977.

the full effect of the increase in the guide price to the intervention price which was fixed as follows:

	Ireland and the United Kingdom	Other Member States	(u.a. per 100 kg liveweight)
Intervention price	106.44	110.61	

At the same time, it decided to make the standing intervention arrangements more flexible so as to provide for the total or partial suspension of the obligation to purchase when the prices on the representative markets of a Member State remained in excess of 95 % of the guide price during a given period.

(b) *The premium system*

(i) Premiums for the slaughter of certain adult bovine animals

415. On 26 April 1977,¹ after obtaining the opinion of Parliament and taking account of the danger of a fall in the incomes of cattle producers in view of the short-term prospects of the Community market in beef and veal, the Council once again authorized the Member States to grant these producers aid in the form of a premium for the slaughter of certain adult bovine animals of Community origin intended for slaughter, other than cows.

The amount of the premium, which may vary over a period of time, may not in any case exceed 45 u.a. per adult bovine animal of an average weight to be determined, in such a way that the sum of the market price recorded in the Member State availing itself of this authorization and of the amount of the premium does not exceed, on average and for the duration of the marketing year, 85 % of the guide price.

(ii) Premium for the birth of calves

416. On 26 April 1977,² the Council, after obtaining the opinion of Parliament, authorized Italy to continue granting a premium, fixed at 35 u.a. and payable by the EAGGF, for every calf born in that country.

¹ Regulation (EEC) No 870/77, OJ L 106 of 29. 4. 1977.

² Regulation (EEC) No 871/77, OJ L 106 of 29. 4. 1977.

(c) *The system of trade with non-member countries*

417. On 20 June 1977, the Council decided, as in previous years, to open a tariff quota of 30 000 head of heifers and cows other than those intended for slaughter, certain mountain breeds falling within subheading ex 01.02 A II (b)¹ of the CCT (Austrian quota)² and 5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain Alpine breeds falling within subheading ex 01.02 A II (b) 2 of the CCT (Swiss quota).²

418. At its meeting of 12-13 December 1977, the Council also undertook a general examination of the outlook for Community supplies of beef and veal for 1978.

On the basis of this analysis, the Council forecast a 1.2 % fall in Community production of beef and veal in 1978 and a slight rise in consumption, which would nevertheless result in a deficit of ±385 000 tonnes, part of which (some 140 000 tonnes) could be covered by drawing on intervention stocks (which were expected to total about 440 000 tonnes in public hands and 75 000 tonnes in private storage at 31. 12. 1977) and on imports amounting to approximately 375 000 tonnes.

A substantial proportion (about 175 000 tonnes) of these imports are expected to be supplied in accordance with certain Community undertakings *vis-à-vis* GATT, ACP countries, or certain non-member countries (particularly Yugoslavia and Malta) with which the Community has concluded trade agreements.

In the light of this overall situation, and after obtaining the opinion of Parliament, the Council took a number of decisions relating to the Community's import requirements.

On 13 December 1977,³ therefore, after taking note of a report from the Commission on the exhaustion of the 1977 quota, the Council adopted the Regulation opening, allocating and providing for the administration of a Community tariff quota of 38 500 tonnes of frozen beef and veal for the marketing year 1978, in accordance with the

¹ Regulation (EEC) No 1331/77, OJ L 154 of 23. 7. 1977.

² Regulation (EEC) No 1332/77, OJ L 154 of 23. 7. 1977.

³ Regulation (EEC) No 2861/77, OJ L 330 of 31. 12. 1977.

undertakings given by the Community at the most recent multilateral negotiations in the context of the GATT.

The breakdown of this quota is as follows:

Benelux	4 240 tonnes
Denmark	195 tonnes
France	2 680 tonnes
Germany	7 585 tonnes
Ireland	—
Italy	11 050 tonnes
United Kingdom	12 750 tonnes

The Council approved the estimate of supply and demand for meat in the Community processing industry, including meat intended for the manufacture of preserved foods of the 'Corned beef' type.¹ It thus fixed the Community requirement at 50 000 tonnes.

The Council also fixed² the estimated import requirement for young bovine animals weighing 300 kg or less and intended for fattening at 200 000 head for 1978.

It also decided, on 19 December 1977³ on an autonomous basis, to increase by 8 000 head the tariff quota opened on 20 June 1977 for the importation of certain Alpine breeds.⁴

Lastly, it decided,⁵ on the same occasion and on an autonomous basis, pending the renegotiation of a trade agreement between the Community and Yugoslavia due to enter into force by 31 August 1978, on a modest reduction of the levy applicable to Yugoslavia when the full levy exceeded 100 %, in conjunction with a voluntary limitation of Yugoslav exports to the average monthly quantities of such exports in 1976.

¹ OJ L 15 of 18. 1. 1977.

² OJ L 330 of 23. 12. 1977.

³ Regulation (EEC) No 2860/77, OJ L 330 of 23. 12. 1977.

⁴ Regulation (EEC) No 1331/77, OJ L 154 of 23. 6. 1977.

⁵ Regulation (EEC) No 2862/77, OJ L 330 of 23. 12. 1977.

(d) *Intervention*

419. On 20 June 1977¹ and 27 November 1977² respectively, the Council extended the deadline laid down in Regulation (EEC) No 2453/76 for the disposal of certain categories of beef transferred to the Italian intervention agency from the intervention agencies of other Member States.

7. SUGAR³

(a) *Price measures*

420. At its meeting on 25–26 April 1977⁴ the Council, as part of an overall compromise policy, laid down the prices which would apply in the sugar sector for the marketing year 1977/78⁵. The following table compares the new prices with those for the previous two years:

Prices in u.a./100 kg	1975/76	1976/77	1977/78
Target price for white sugar	32.05	34.87	34.56
Intervention price for white sugar	30.45	33.14	32.83
Derived intervention price for white sugar for Italy	33.00	35.70	35.36
Derived intervention price for white sugar for the French overseas departments	30.25	32.94	32.63
Derived intervention price for white sugar for Ireland and the United Kingdom	31.45	34.14	33.83
Intervention price for raw sugar	25.84	28.15	27.25
Minimum price for beet	2.275	2.457	2.543
Threshold price for white sugar	35.52	38.21	39.72
Threshold price for raw sugar	30.97	33.28	34.06
Price for molasses	3.20	3.20	3.20

¹ The target and intervention prices do not take account of the storage charge.

² Regulation (EEC) No 1330/77, OJ L 154 of 23. 6. 1977.

³ Regulation (EEC) No 2584/77, OJ L 301 of 25. 11. 1977.

⁴ For isoglucose see paragraph 357 of this Review.

⁵ See paragraph 351 of this Review.

⁶ Regulations (EEC) No 1112/77 and No 1113/77, OJ L 134 of 28. 5. 1977.

In these same Regulations the Council also fixed the maximum quota at 135 % of the basic quota and decided to fix the maximum amount of the production levy on the 'B' quota at 9.85 u.a./100 kg.

421. On 5 July 1977 the Council fixed the guaranteed prices for preferential sugar for the period between 1 May 1977 and 30 June 1978 at 27.25 u.a./100 kg for raw sugar and 33.83 u.a./100 kg for white sugar.¹ Exactly as in the case of the guaranteed prices for Community sugar, these prices do not take account of storage charges. A special system of self-compensation for storage charges was introduced as from 1 July 1977 for imported preferential sugar.²

These prices also apply to cane sugar originating in the French overseas countries and territories.³

Since the refining margin for preferential sugar for the marketing year 1977/78 was higher than that for raw sugar chosen for establishing Community prices, the Council adopted Regulation (EEC) No 1356/77⁴ on 20 June 1977, fixing the charge to be levied on preferential sugar when this is refined in 'mixed' refineries at 1.64 u.a./100 kg. In view of Ireland's traditional patterns of trade it was decided to extend for the 1977/78 sugar marketing year the exemption from this charge on raw preferential sugar refined in that Member State up to a maximum quantity of 30 000 tonnes expressed as white sugar.

422. The Council also fixed at 1.64 u.a./100 kg of white sugar the differential amount for raw cane sugar from the French overseas departments refined in a 'pure' refinery.

423. In order to facilitate the sale of raw sugar produced in these overseas departments to the European regions of the Community and in accordance with the provisions of the basic Regulation on sugar there has been a Community subsidy for refining this sugar since 1973. The Council fixed this subsidy at 1.33 u.a./100 kg of white sugar for the 1977/78⁵ marketing year.

¹ Regulation (EEC) No 1508/77, OJ L 168 of 6. 7. 1977.

² See paragraph 373 of this Review.

³ Regulation (EEC) No 1509/77, OJ L 168 of 6. 7. 1977.

⁴ OJ L 156 of 25. 6. 1977.

⁵ Regulation No 1357/77, OJ L 156 of 25. 6. 1977.

(b) *Procedure for implementing the common organization of the market*

424. Following its decisions on sugar prices, on 20 June 1977 the Council adopted two Regulations on the procedure for implementing the common organization of the markets in this sector.

The first of these¹ aims to consolidate Regulation (EEC) No 750/68 laying down general rules for storage charges in the sugar sector, and also to amend this Regulation to take account of the Council's decision to extend these rules to preferential sugar, for which, as from the 1977/78 marketing year, there is a specially adapted system of levies and refunds covering storage charges.

In the second Regulation² the Council amended its Regulation No 447/68 laying down general rules for intervention buying of sugar, in accordance with the decision henceforth to exclude the storage charge when fixing intervention prices for raw sugar.³

8. WINE

(a) *Market situation*

425. The adoption of economic measures, the implementation of revised complementary basic machinery and the study of more long-term action mean that both the Commission and the Council must pay very close attention to developments in the wine market with regard to its different technical, economic, fiscal, monetary and climatic aspects.

Accordingly, under Article 43 of the basic Regulation, in 1977 the Commission submitted to the Council the final report on the wine market situation at the end of the preceding marketing year and the Council took formal note of this report at its meeting on 18–19 July 1977.

(b) *Prices system*

426. When considering common agricultural prices in general⁴ the Council adopted Regulation (EEC) No 1171/77 of 17 May 1977⁵ fixing the different guide prices in the wine sector for the period between 16 December 1977 and 15 December 1978 at levels which gave a linear increase of 3.5 % over the preceding twelve-month period.

¹ Regulation (EEC) No 1358/77, OJ L 156 of 25. 6. 1977.

² Regulation (EEC) No 1359/77, OJ L 156 of 25. 6. 1977.

³ See paragraph 373 of this Review.

⁴ See paragraph 351 of this Review.

⁵ OJ L 137 of 3. 6. 1977.

427. With regard to the second category of prices concerning the wine sector – i.e. the activating prices which determine the threshold for intervention laid down in Article 3 of the basic Regulation, the Council adopted Regulation (EEC) No 2689/77 of 5 December 1977¹ fixing them, as in the preceding year, at 93 % of the respective guide prices.

428. The following table illustrates the price situation in the wine sector for 1977/78.

Type of wine	Guide price 16. 12. 1977 to 15. 12. 1978	Activating price 16. 12. 1977 to 15. 12. 1978	Representative price at the beginning of 1977/78 ¹
R I: red wine with an actual alcoholic strength of between 10 and 12°	2.03 u.a./°/hl	1.89 u.a./°/hl	1.92 u.a./°/hl
R II: red wine with an actual alcoholic strength of between 13 and 14°	2.03 u.a./°/hl	1.89 u.a./°/hl	2.11 u.a./°/hl
R III: red wine from wine varieties of the 'Portugieser' type	31.65 u.a./hl	29.43 u.a./hl	39.40 u.a./hl ²
A I: white wine with an actual strength of between 10 and 12°	1.90 u.a./°/hl	1.77 u.a./°/hl	1.61 u.a./°/hl
A II: white wine from wine varieties of the 'Sylvaner or Müller- Thurgau' type	42.18 u.a./hl	39.23 u.a./hl	43.07 u.a./hl ²
A III: white wine from wine varieties of the 'Riesling' type	42.16 u.a./hl	44.79 u.a./hl	45.23 u.a./hl

¹ Prices fixed on 20 December 1977 in accordance with the new method provided for in Article 4 of Regulation (EEC) No 816/70. See paragraph 376 of this Review.

² Average price.

¹ OJ L 314 of 8. 12. 1977.

429. As regards the financial aspects of the 'wine deliveries' system referred to in Article 24 of Regulation (EEC) No 816/70, Regulation (EEC) No 1674/77 adopted by the Council on 19 July 1977¹ provides that the prices for the 1977/78 wine-growing year, with effect from 1 September 1977, will be as follows:

- 0.57 u.a./°hl for the buying-in price for wine deliveries;
- 0.91 u.a./°hl for the price of the alcohol from wine deliveries of marcs, lees and wine;
- 0.25 u.a./°hl for the maximum amount of the contribution from the Guarantee Section of the EAGGF for expenditure incurred by the national intervention agencies on account of the system concerned.

(c) *Intervention system*

430. Since the Commission was responsible for introducing distilling operations to stabilize the market, following the amendments made in 1976 to the regulations governing the wine sector, the Council had no occasion to intervene with measures to support the market except in order to mitigate the serious difficulties caused in certain wine-growing regions in France and Italy by exceptionally unfavourable weather conditions.

Accordingly, the Council exercised its right to adopt any derogation appropriate in such circumstances, as laid down in Article 38 of the basic Regulation on wine, and adopted Regulation (EEC) No 2212/77 on 6 October 1977² on a proposal from the Commission. The Regulation contains provisions authorizing an aid for the use of concentrated grape musts to increase the natural alcoholic strength of table wines, in accordance with Articles 18 and 19 of Regulation (EEC) No 816/70.

This aid amounts to 0.87 u.a. per hl and per degree of alcoholic strength of the concentrated must used, and is restricted to producers in the regions affected by the disasters in question who can furnish proof of a yield lower than 50 hl per ha for the 1977 harvest.

431. With regard to the practical details relating to the implementation of the system of interventions in the wine sector, it will be recalled that on

¹ OJ L 187 of 27. 7. 1977.

² OJ L 256 of 7. 10. 1977.

19 July 1977 the Council made very limited amendments to the general rules relating to distilling operations governed by Regulation (EEC) No 1931/76.¹

With the adoption of Regulation (EEC) No 1675/77² it was decided, with a view to taking account of the experience gained in the practical operation and administration of this system, particularly with regard to the recovery of amounts which had been improperly paid, to alter the machinery for paying the aid referred to in Article 3 of Regulation (EEC) No 1931/76. It was therefore laid down that when the amount of aid was less than 30 % of the minimum buying-in price the advance to be paid by the intervention agency would not exceed the amount of the aid.

In addition, on 16 December 1977 the Commission submitted to the Council a proposal to repeal Regulation (EEC) No 1931/76 and to replace it by new rules which would apply uniformly to all distilling operations except for the compulsory distilling of the by-products of the wine-making process.

(d) *Production system*

432. In view of the experience gained in implementing the 'wine deliveries' system laid down in Article 24 of the basic Regulation, and for which new general implementing rules had been adopted in 1976,³ in 1977 the Council amended Regulation (EEC) No 1930/76 which governs these general rules, by enacting that the white quality wines p.s.r. should be subject to a reduced rate of these deliveries.⁴

In view of certain legal and technical conditions arising from the processing of these products it appeared appropriate not to make the white quality wines p.s.r. subject to the integral system of compulsory distillation of the by-products of the wine-making process.

In addition it will be recalled that the same wines from the 1976 harvest also enjoyed a reduced rate of wine deliveries in view of the exceptional production conditions then obtaining.³

¹ See 24th Review, paragraph 341.

² OJ L 187 of 27. 7. 1977.

³ See 24th Review, paragraph 342.

⁴ Regulation (EEC) No 1676/77 of 19. 7. 1977, OJ L 187 of 27. 7. 1977.

433. In the absence of a Community organization for alcohol¹ and of provisions regarding the production of flavoured wines, on 12 December 1977² the Council extended until 31 December 1978 the period of validity of the provisions of Regulation (EEC) No 1876/74.³ These mainly concern the authorization – notwithstanding Article 25 of the basic Regulation on wine – to add alcohol to grape musts and wines intended for the preparation of flavoured wines.

434. As regards winemaking operations in the free zones the Council found it necessary to postpone the date – originally 1 March 1977⁴ – of the entry into force of Regulation (EEC) No 3168/76.

It became apparent that practical difficulties had prevented the procedures for implementing the Regulation from being adopted in time for the Member States to enact the necessary national provisions, in particular regarding customs procedures.

With a view to mitigating the practical and administrative difficulties involved on a proposal from the Commission the Council adopted Regulation (EEC) No 400/77 of 28 February 1977, postponing the entry into force of these arrangements until 1 May 1977.⁵

(e) *Trade with third countries*

435. In this sphere, during 1977 the Council made two amendments to Regulation (EEC) No 1848/76 which lays down the general rules for importing wines, grape juices and musts.⁶

The first amendment was made by Council Regulation (EEC) No 531/77 of 14 March 1977⁷ which extends exemption from submitting certificates and analysis reports to cover a full series of products not intended for commercial outlets. Previously this exemption applied only to certain products transported in limited quantities and packed in small containers.

Secondly, the Council made use of the provision under Article 28(1) (c) of the basic Regulation, as amended by Regulation (EEC) No

¹ See paragraph 363 of this Review.

² Regulation (EEC) No 2804/77, OJ L 322 of 17. 12. 1977.

³ See 22nd Review, paragraph 317.

⁴ See 24th Review, Paragraph 344.

⁵ OJ L 56 of 1. 3. 1977.

⁶ See 24th Review, paragraph 346.

⁷ OJ L 69 of 16. 3. 1977.

1677/77,¹ and, on a proposal from the Commission, adopted Regulation (EEC) No 2803/77 on 12 December 1977² exempting from the provisions of Regulation (EEC) No 1848/76 seven imported quality wines for which a certificate of designation of origin or a certificate of origin was already required.

This exemption, which entails the insertion of paragraph 2a to Article 2 of Regulation (EEC) No 1848/76, will come into force with effect from 1 January 1978.

436. When Regulation (EEC) No 816/70 was being revised in 1976,³ the Commission undertook to submit to the Council by 31 December 1977 a report on the implementation of the derogations which it had adopted regarding the implementation of the system of reference prices and countervailing charges for certain liqueur wines imported from third countries.

At its meeting on 12–13 December 1977 the Council took formal note of the Commission's report and expressed the opinion that in carrying out its tasks the Commission might consider derogations in respect of certain quality liqueur wines and propose to the Council a Community procedure for importing the liqueur wine Cyprus Sherry.

437. At its meeting on 12–13 December 1977 the Council also discussed the report which the Commission had submitted on 29 November in accordance with its undertaking in 1976 when the reference prices for imported grape juices and musts were introduced, and the exemption from this system until 31 December 1977 of goods intended for the production of British and Irish wines. These are a type of wine, generally liqueur wine, and are traditional products in the two countries concerned.²

At this meeting the Council adopted the guidelines which had emerged during the examination of the report, in particular of the technical, economic and legislative aspects involved in the application of the system of reference prices and countervailing charges to juices and musts used as from 1 January 1978.

¹ See paragraphs 375 and 376 of this Review.

² OJ L 322 of 17. 12. 1977.

³ See 24th Review, paragraph 294.

⁴ See 24th Review, paragraph 295.

In addition to the basic principle these guidelines contained the undertaking to apply the countervailing charge at its current level as a transitional measure up to 15 December 1979. The Commission was also instructed to follow developments in the industries concerned and to submit a report to the Council by 31 December 1979 on the implementation of these arrangements.

(f) *Presentation and description of wines*

438. As from 1 September 1977 the description and presentation of wines in the Community must conform to the provisions of Regulation (EEC) No 2133/74.¹

However, before the date in point the Council found it necessary to make a further amendment to this Regulation in order to make it fully effective and to make it easier for all the parties concerned to comply with its provisions.

On 20 June 1977 the Council thus adopted Regulation (EEC) No 1475/77.² This Regulation mainly contains specific details regarding the use of certain geographical ascriptions or certain codes to avoid any confusion between quality wines psr and table wines, and rules on the measures which may be adopted by the Member States regarding the use of optional particulars to describe any table wine. It amplifies the rules on labelling wines of Community coupage, simplifies and adapts several rules on items to be mentioned on official documents and registers, allows producers to show this Community reference on the label of a quality wine psr together with the conventional specific reference laid down in the Member State concerned to designate a quality wine, provides for greater flexibility in the provisions relating to the indication of a geographical unit for imported wine and defines what is meant by 'labelling'.

(g) *Checks on adherence to Community and national provisions in the wine sector*

439. In 1977 the competent departments of the Council began their examination of the proposal for a Regulation which the Commission submitted on 15 March 1977 with a view to implementing the machinery

¹ See 24th Review, paragraph 349.

² OJ L 164 of 2. 7. 1977.

required to reduce fraud in the wine sector, in particular by laying down rules on direct cooperation of the specialist bodies in the various Member States.

(h) *Luxembourg Protocol*

440. Harmonization of taxes on wines in the Community had not been achieved by 31 December 1977, and the application of the specific provisions of the Luxembourg Convention on the Economic Union of Belgium and Luxembourg in favour of Luxembourg wines continued to contribute to the agricultural income of the Grand Duchy of Luxembourg. In its Regulation (EEC) No 2875/77 of 19 December 1977 the Council therefore extended for a further year the period of validity of the provisions of the second subparagraph of Article 1(1) of the Protocol in the Grand Duchy of Luxembourg.¹ These provisions thus remain applicable until the entry into force of the provisions relating to the harmonization of excise duties on wine in the Community, or until 31 December 1978 at the latest.

9. FRESH FRUIT AND VEGETABLES

(a) *Prices and marketing premiums for the 1977/78 marketing year*

441. When carrying out its annual task of fixing agricultural prices, on 16 April 1977 the Council fixed the basic and buying-in prices for the fresh fruit and vegetables covered by the single price system.² These prices were increased over those for the preceding year by 4.5 % for cauliflowers, tomatoes, peaches and lemons, 3.5 % for apples, pears, oranges and mandarins, and 2.5 % for table grapes. The rates involved reflect the Council's anxiety to avoid the risk of structural surpluses, taking account of the relation between production patterns and the demand for the fruit and vegetables concerned in the Community.

In the same Regulation the Council granted an increase of 3.5 % compared with the previous year in the marketing premium for oranges, mandarins, clementines and lemons.

¹ OJ L 332 of 24. 12. 1977.

² Regulation (EEC) No 868/77, OJ L 106 of 29. 4. 1977.

(b) *Partial suspension of the autonomous CCT duty on dessert apples*

442. Following the unfavourable weather conditions which devastated large areas of various Community regions during the blossoming and maturing periods, the Community crop of apples for 1977/78 was 20 % lower than the average for preceding years. As a result the production prices in all the Member States were in many cases double the prices recorded at the same period in the previous year.

To alleviate this situation and help the Community to obtain supplies of a product greatly in demand, after consulting Parliament the Council decided on 7 November 1977 partially to suspend the customs duty on dessert apples,¹ and reduced this duty from 14 % to 6 %. The reduced rate was to remain in force until 31 January 1978, and would encourage imports of apples from the United States, Canada and the Eastern bloc (Hungary).

10. PROCESSED FRUIT AND VEGETABLES

(a) *Fixing of minimum prices for tomato concentrates for the 1977/78 marketing year*

443. The fixing of the minimum prices for imports of tomato concentrates, which was enacted on 20 June 1977² also reflects the Council's general policy in this sector. By increasing the minimum price from 640 u.a./tonne to 660 u.a./tonne for the original Member States, and the special minimum price for the new Member States from 480 u.a./tonne to 570 u.a./tonne, the Council exceeded, within the limits of the price increases adopted for fresh fruit and vegetables, the minimum prices proposed by the Commission, thus strengthening the protection given by this system.

(b) *Levying of a compensatory amount on imports of tomato concentrates originating in third countries*

444. Since the difference between the minimum price and the 'special' minimum price levels for tomato concentrates (see preceding paragraph) had given rise to deflection of trade to the detriment of the Community processing industry, on 18 July 1977 the Council, after

¹ Regulation (EEC) No 2465/77, OJ L 286 of 10. 11. 1977.

² Regulation (EEC) No 1361/77, OJ L 156 of 25. 6. 1977.

consulting Parliament, decided¹ to include tomato concentrates originating in third countries in the system of compensatory amounts, a measure which had hitherto been restricted to intra-Community trade in tomato concentrates of Community origin.

In the same Regulation, and with the same purpose in mind, the Council also authorized the original Member States exporting tomato concentrates to the new Member States to maintain the export refund which may be granted in such cases at a higher level than that provided for by the regulations in force for the period between 1 July and 31 December 1977.

(c) *Production aid for tinned pineapples*

445. Lastly, on 20 June 1977 the Council fixed the amount of aid for producers of pineapples, and in particular producers in Guadeloupe and Martinique, for the 1977/78 marketing year. This aid was increased to 312 u.a./tonne, an increase of some 4 % over the previous year. At the same time the minimum price payable by processors to the producers of fresh pineapples was increased from 152.5 u.a./tonne (1976/77) to 158.5 u.a./tonne.² The cost of these measures, which cover some 13 800 tonnes of tinned pineapples, amounts to 4.3 million u.a., and will be charged to the EAGGF.

11. NURSERY PRODUCTS

QUALITY STANDARDS

446. In December 1976 the Commission submitted to the Council proposals aimed at amending certain practical details of the regulations governing quality standards for flowering bulbs, corms and tubers.³ The Council followed up these proposals and on 14 February 1977⁴ decided to extend the field of application of quality standards to other products in this sector in order to achieve the desired aim more fully. At the same time the Council simplified and made more effective the monitoring of these standards.

¹ Regulation (EEC) No 1637/77, OJ L 183 of 22. 7. 1977.

² Regulation (EEC) No 1362/77, OJ L 156 of 25. 6. 1977.

³ See 24th Review, paragraph 363.

⁴ Regulation (EEC) No 338/77, OJ L 48 of 19. 2. 1977.

Lastly, on 27 October 1977 the Commission submitted to the Council a proposal aimed at providing a legal basis for the current regulations on the monitoring of quality standards carried out while these products are in transit. The Council instructed the competent departments to examine this proposal.

12. VEGETABLE OILS

(a) *Oil seeds (colza, rape seed and sunflower seeds)*

447. In the general context of its deliberations on agricultural prices for the 1977/78 marketing year, the Council adopted Regulation (EEC) No 1069/77¹ fixing prices in this sector. The table below compares the prices of these products for the 1977/78 marketing year with those for the previous two years:

Products	Marketing year 1975/76	Marketing year 1976/77	Marketing year 1977/78
Target price (u.a./100 kg)			
— colza and rape seeds	25.53	27.57	28.53
— sunflower seeds	26.51	28.63	30.78
Basic intervention price (u.a./100 kg)			
— colza and rape seeds	24.79	26.77	27.71
— sunflower seeds	25.74	27.80	29.89

The increase for colza and rape seeds (3.5 %) on the previous year, reflects the difficulties of the colza oil trade in the Community, which arose mainly from the anti-colza campaign based on the idea that colza oil with its high erucic acid content, might have adverse effects on the consumer's health. In this connection the Council took formal note of the Commission's intention to adopt measures providing that only colza and rape seeds with an erucic acid content of not more than 10 % would be eligible for intervention with effect from 1 July 1977. At the same time the Council and the Commission expressed their intention of restricting the aid for these seeds to those with a low erucic acid content with effect from the 1978/79 marketing year, except for seeds intended for the chemical industry.

¹ OJ L 129 of 25. 5. 1977.

The prices for sunflower seeds were increased by 7.5 % with the aim of encouraging the development of this product so as to compensate in part for the effects on the Italian oil-seed crushing industry of a possible shortage in supplies of colza seeds of Community origin.

The monthly increases in the target and intervention prices for these products were fixed by the Council taking into consideration the average storage and interest charges recorded in the Community.¹

448. On 21 June 1977 the Council specified the main intervention centres for oil seeds and the derived intervention prices for these products for the 1977/78 marketing year.² These derived intervention prices take account of the need to improve the situation on the Italian market regarding colza seed supplies by increasing the intervention prices for the centres in northern France more appreciably than those for the south.

The Council examined this problem of colza seed supplies for the Italian market on several occasions during the year under review, and when adopting the latter Regulation took note of a four-point programme drawn up by the Commission to improve the situation in the Community market for oil seeds.

449. In accordance with the Act of Accession, on 20 June 1977 the Council fixed the 'accession' compensatory amount applicable to colza and rape seed harvested in the United Kingdom over the period 1 July 1977 to 31 December 1977.³ As from 1 January 1978 these amounts will cease to be payable. The compensatory amount for seeds harvested in Denmark would have been very small, and it was therefore abolished.

(b) *Olive oil*

450. Following the adoption of Regulations (EEC) No 601/76 and (EEC) No 602/76 on the implementation of a tendering procedure covering import levies in the olive-oil sector, the Council adopted Regulation (EEC) No 1794/76 amending Community regulations regarding production refunds on olive oil used in the manufacture of

¹ Regulation (EEC) No 1070/77, OJ L 129 of 25. 5. 1977.

² Regulation (EEC) No 1364/77, OJ L 156 of 25. 6. 1977.

³ Regulation (EEC) No 1333/77, OJ L 154 of 23. 6. 1977.

certain preserved foods, so as to specify the circumstances under which this system applies when the tendering procedure mentioned above is followed.¹

With the replacement of Regulations (EEC) No 601/76 and (EEC) No 602/76 by Regulations (EEC) No 2843/76 and (EEC) No 2844/76, the Council updated the references in Regulation (EEC) No 1794/76.²

In addition, the arrangements laid down in Regulation (EEC) No 2843/76 and No 2844/76 were extended for one year, i.e. until 31 October 1978.³ As from this date the olive-oil market should be governed by new regulations in accordance with the repeated deliberations of the Council on this matter and following the proposal submitted by the Commission in December 1977.⁴

451. Pending the introduction of these new market regulations the Council adopted the price arrangements for the 1977/78 marketing year on the basis of the provisions in force on 17 May 1977, when it adopted a series of Regulations fixing certain items in these price arrangements, i.e.:

- Regulation (EEC) No 1066/77⁵ fixing the market target price and the intervention price for olive oil;
- Regulation (EEC) No 1067/77⁵ fixing the production target price;
- Regulation (EEC) No 1068/77⁵ fixing the monthly increases in the market target price, the intervention price and the threshold price for olive oil.

On 28 October 1977 the Council adopted Regulation (EEC) No 2364/77, on a proposal from the Commission, regarding the threshold price for that marketing year.⁶

The following table shows the movements in these different prices in the olive-oil sector since the 1975/76 marketing year.

¹ See 24th Review, paragraph 366.

² Regulation (EEC) No 269/77, OJ L 39 of 10. 2. 1977.

³ Regulation (EEC) No 2360/77, OJ L 277 of 29. 10. 1977.

⁴ See paragraph 391 of this Review.

⁵ OJ L 129 of 25. 5. 1977.

⁶ OJ L 277 of 29. 10. 1977.

Prices: u.a./100 kg	Marketing year 1975/76	Marketing year 1976/77	Marketing year 1977/78
Production target price	185.00	185.00	187.78
Market target price	149.96	144.89	141.91
Intervention price	142.71	137.64	134.62
Threshold price	146.96	141.89	138.91

452. The general rules relating to aid for producers and the lump sum applicable to non-refined olive oil from Greece remain the same as those for the previous year.¹

(c) *Linseed*

453. When fixing agricultural prices for the 1977/78 marketing year the Council fixed the guide price for linseed at 31.18 u.a./100kg.² This price represents an increase of 7.5% over that for the previous year. The Council decided to retain for one year the system of the minimum aid level for this product, but reduced the level from 125 u.a./ha to 105 u.a./ha and agreed not to extend this guaranteed minimum aid beyond the 1977/78 marketing year.

(d) *Cotton seed*

454. In order to maintain a certain amount of incentive for the production of cotton seed – a relatively minor product grown mainly in Italy – the Council, taking account of its monetary measures regarding the lira in the agricultural sector, decided on a token increase in the level of aid for this product, calculated in terms of hectares sown and harvested. The level of aid was thus increased from 103.20 u.a./ha to 104.52 u.a./ha for the 1977/78 marketing year.³

¹ See Regulation (EEC) No 2363/77 and Regulation (EEC) No 2362/77 respectively, OJ L 277 of 29. 10. 1977.

² Regulation (EEC) No 1071/77, OJ L 129 of 25. 5. 1977.

³ Regulation (EEC) No 1073/77, OJ L 129 of 25. 5. 1977.

13. PROTEINS

(a) Dehydrated fodder

455. Under the provisions of Regulation (EEC) No 1067/74, the Council must fix the amount of production aid for dehydrated fodder before the start of the marketing year. On 26 April 1977 the Council fixed this aid for the 1977/78 marketing year at 9.55 u.a./tonne (compared with 9 u.a./tonne for the previous year).¹ The aim of this increase was twofold: firstly it was designed to ensure that the producers of green fodder would enjoy a return commensurate with what they could obtain from competing crops, particularly cereals; secondly it was aimed at encouraging producers to go back to this crop following the drought in 1976; the production of green fodder in the Community having decreased much more than that of most other crops.

Lastly it should be noted that on the occasion of the adoption of Regulation (EEC) 2360/77² amending Regulation (EEC) No 1900/74 laying down special measures for soya beans,³ the Council invited the Commission 'to submit to it in due course a report on the trend of the protein situation in the Community and any appropriate proposal, particularly as provided for in Article 5 of Regulation (EEC) No 1067/74 on the common organization of the market in dehydrated fodder', since the aid arrangements laid down in this Regulation would remain in force until the end of the 1977/78 marketing year.

(b) Soya beans

456. Under its overall compromise policy on agricultural prices for the 1977/78 marketing year, on 17 May 1977 the Council fixed the guide price for soya beans at 30.64 u.a./100 kg.⁴ This represented an increase of some 7.5 % over the price for the previous year, and was greater than the increase for maize (5.2 %) so as to establish a better balance between these two competing products.

The system of aid to encourage the development of soya bean production in the Community operates at present on the basis of a minimum yield, which makes it possible to ensure a fair return to the

¹ Regulation (EEC) No 865/77, OJ L 106 of 29. 4. 1977.

² OJ L 277 of 29. 10. 1977.

³ See paragraph 456 of this Review.

⁴ Regulation (EEC) No 1072/77, OJ L 129 of 25. 5. 1977.

producers of this new crop. On 28 October 1977, after consulting Parliament, the Council amended Regulation (EEC) No 1900/74 which lays down special measures for this product in order to increase from 1 950 kg/ha to 2 000 kg/ha the minimum target yield for calculating the aid concerned.¹ This yield will apply to the marketing years 1977/78 to 1979/80.

14. HOPS

PRODUCTION AID

457. On 20 June 1977, after consulting Parliament, the Council fixed the amounts of aid to be granted to producers of hops for the 1976 harvest.² As in the previous year, they cover 20 varieties of hops which represent some 90 % of the total crop. The average amount is 395 u.a./ha. In view of the persistent structural surpluses in this sector they are only slightly above the aid levels for the 1975 harvest. Moreover, the amounts vary between 200 and 550 u.a./ha for the different varieties so as to direct production towards the flavoured varieties.

Lastly the Council, again with a view to obtaining a better balance between supply and demand in the hops market, ruled that the new plantings made in 1976 were not eligible for Community aid, so as to discourage any increase in the area under cultivation in the Community.

15. TOBACCO

(a) *Prices and premiums*

458. In view of a certain amount of imbalance which persisted in the Community tobacco market, at least as regards some groups of varieties, in the form of a high rate of growth in production compared with consumer demand, and a constant widening of the gap between Community and world price levels, the Council considered it advisable to follow the same cautious price policy for the 1977 crop as had been followed for a number of years.

¹ Regulation (EEC) No 2360/77, OJ L 277 of 29. 10. 1977.

² Regulation (EEC) No 1363/77, OJ L 156 of 25. 6. 1977.

Of the nineteen varieties for which a norm price was fixed only the good sellers were selected for increases ranging from 2 % to 4 %. Conversely, for the varieties where there was an imbalance the Council either granted no increase or limited it to a much lower percentage than for the first group of varieties.

The premiums payable to purchasers of the different varieties of tobacco produced in the Community were increased by and large in line with the norm prices of the varieties concerned.¹

(b) *Introduction of 'market management' measures for the Beneventano variety of tobacco*

459. A Commission report submitted to the Council in January 1977 showed that the quantities of Beneventano tobacco produced in 1973 and taken over by the intervention agencies were far in excess of the limits for intervention purchases of Community tobaccos laid down by the basic Regulation. In order to deal with this situation and to redress the imbalance in the market the Council decided to introduce the 'market management' measures laid down for such cases. On 14 February 1977, after consulting Parliament and the Economic and Social Committee, the Council therefore adopted a series of specific measures applicable to the Beneventano variety for the 1977, 1978 and 1979 crops.²

These measures include a reduction in the price to the producer when he offers this crop to the intervention agency and a quantity restriction on intervention purchases for all grades of this variety. Lastly it provides for a special aid (500 u.a./ha of converted land) to compensate for the financial losses suffered by planters who, following the restrictive measures described above, convert to the production of other varieties all or part of the land previously under the Beneventano variety.

16. TEXTILE FIBRES AND SILKWORMS

(a) *Flax and hemp*

460. In view of the foreseeable effect on Community prices for straw flax in a period of shortage, the desirability of increasing the returns to

¹ Regulation (EEC) No 1169/77, OJ L 137 of 3. 6. 1977.

² Regulation (EEC) No 339/77, OJ L 48 of 19. 2. 1977.

flax growers in line with the increases granted to producers of alternative crops, and the need to maintain the incentive to grow these products, the Council fixed the amounts of aid for the 1977/78 marketing year as follows:

- 163.72 u.a./ha for flax in the United Kingdom (compared with 143.20 u.a./ha for the previous year);
- 194.76 u.a./ha for flax in the other Member States (compared with 188.15 u.a./ha for the previous year);
- 176.88 u.a./ha for hemp throughout the Community (compared with 174.04 u.a./ha for the previous year).¹

(b) *Silkworms*

461. The aid for the 1977/78 marketing year was fixed by the Council² at 40.20 u.a. per box of silkworm eggs used, compared with 40 u.a. for the previous year.

Furthermore, the system of supplementary aid which was introduced and operated during the previous year did not, in view of its limited duration, achieve the desired effects in full – failing in particular to achieve a steady improvement in the supply of silkworm cocoons on the Community market. Hence the Council agreed to maintain this system, but reduced the amount of supplementary aid from 15 to 14.07 u.a. per box of silkworm eggs used.³

As in previous years this aid will be granted, under specific conditions, to rearers who are members of a producer group and who market their cocoons jointly.⁴

17. SEEDS

PRODUCTION AID

462. In view of the increase in the general level of common agricultural prices and the effect of the drought, when the Council was carrying out

¹ Regulation (EEC) No 1074/77, OJ L 129 of 25. 5. 1977.

² Regulation (EEC) No 866/77, OJ L 106 of 29. 4. 1977.

³ Regulation (EEC) No 867/77, OJ L 106 of 29. 4. 1977.

⁴ See 24th Review, paragraph 377.

its annual task of fixing the agricultural prices it decided to grant a small increase for the 1977/78 marketing year in the aid previously granted to certain species of seeds.¹ It also added the species 'linseed'² to the list of products eligible for aid, and granted an aid for 10.1 u.a./100 kg for this species. The object of this measure is to encourage production of these high quality seeds. Their cultivation involves very heavy expenditure which at present prevents producers from achieving a fair return.

Lastly, in response to the Council's request when fixing these aids, on 4 October 1977 the Commission submitted a report on the causes of the fluctuations on the Community market in seeds over the past three years, together with the conclusions drawn from its findings. This document is at present being studied by the competent Council departments.

18. FISHERIES: MANAGEMENT OF THE MARKET

PRICES

463. On 5 December 1977 the Council fixed the prices for the 1978 fishing year, which begins on 1 January 1978, i.e. the guide prices for fresh³ and frozen⁴ products, the intervention prices for sardines and anchovies,⁵ and the production price for tunny fish intended for the canning industry.⁶ Most of these prices were adjusted to take account of the increases in market prices recorded during the reference period. Prices for fresh products were increased by percentages ranging up to 6 % depending on the species as shown in the following comparative table:

¹ Regulation (EEC) No 1168/77, OJ L 137 of 3. 6. 1977.

² Regulation (EEC) No 1167/77, OJ L 137 of 3. 6. 1977.

³ Regulation (EEC) No 2715/77, OJ L 315 of 9. 12. 1977.

⁴ Regulation (EEC) No 2716/77, OJ L 315 of 9. 12. 1977.

⁵ Regulation (EEC) No 2717/77, OJ L 315 of 9. 12. 1977.

⁶ Regulation (EEC) No 2718/77, OJ L 315 of 9. 12. 1977.

	1976	1977	1978
Cod	535 u.a./tonne	572 u.a./tonne	606 u.a./tonne
Saithe	306 u.a./tonne	327 u.a./tonne	345 u.a./tonne
Haddock	399 u.a./tonne	427 u.a./tonne	453 u.a./tonne
Herring	227 u.a./tonne	247 u.a./tonne	259 u.a./tonne
Whiting	426 u.a./tonne	456 u.a./tonne	479 u.a./tonne
Mackerel	221 u.a./tonne	221 u.a./tonne	221 u.a./tonne
Plaice	522 u.a./tonne	569 u.a./tonne	603 u.a./tonne
Redfish	478 u.a./tonne	502 u.a./tonne	512 u.a./tonne
Shrimps	1 076 u.a./tonne	1 001 u.a./tonne	1 011 u.a./tonne
Anchovies	432 u.a./tonne	441 u.a./tonne	441 u.a./tonne
Atlantic sardines	440 u.a./tonne	440 u.a./tonne	440 u.a./tonne
Mediterranean sardines	274 u.a./tonne	288 u.a./tonne	300 u.a./tonne
Hake	1 120 u.a./tonne	1 232 u.a./tonne	1 306 u.a./tonne

D – Trade arrangements

1. EXTENSION OF THE TOTAL AND TEMPORARY SUSPENSION OF THE AUTONOMOUS CCT DUTIES ON POTATOES

464. Since the effects of the poor potato harvest in 1976 continued to be felt in spite of the different measures taken by the Council to alleviate the situation – i.e. total suspension of customs duties and the imposition of taxes on exports to third countries¹ – on 14 February 1977 the Council decided to extend the suspension of these duties from 1 to 31 March 1977 on new potatoes and from 1 March to 15 April 1977 on other potatoes.²

2. GOODS NOT COVERED BY ANNEX II OF THE TREATY AND RESULTING FROM THE PROCESSING OF AGRICULTURAL PRODUCTS

465. During the period under review two proposals were submitted to the Council as regards the regulations relating to goods resulting from the processing of agricultural products and not covered by Annex II of the Treaty.

¹ See 24th Review, paragraph 380.

² Regulation (EEC) No 337/77, OJ L 48 of 19. 2. 1977.

The aim of the first proposal is to take account of the minor amendments which will be made to the Common Customs Tariff with effect from 1 January 1978, and to specify certain standard quantities of maize which are used in calculating the variable component of the import levy. This proposal is based on Article 235 of the Treaty and Parliament's opinion is required.

The object of the second proposal is to include isoglucose in the list of commodities for which an export refund is given when they are exported in the form of goods not covered by Annex II of the Treaty, thus encouraging trade in these products on the world market. The adoption of this text depends on the outcome of a consultation of Parliament, as requested, regarding a supplementary proposal to Regulation (EEC) No 1111/77 laying down common provisions for isoglucose, designed to allow refunds on exports of isoglucose contained in certain processed food products.

E – Structural policy

1. ADDITIONS OR AMENDMENTS CONCERNING EXISTING DIRECTIVES

(a) *Directives 72/159/EEC (modernization), 72/160/EEC (cessation of activities) and 72/161/EEC (social and economic information)*¹

466. Pending a general revision of these Directives on the basis of proposals announced by the Commission in 1976,² the only decisions taken by the Council during 1977 concerned Directive 72/159/EEC.

Firstly, the Council, under its compromise policy on fixing prices for the 1977/78 marketing year and the new representative rates for converting these prices into national currencies,³ made it possible to increase the level of the aids and other amounts mentioned in this Directive by 2 %.⁴

The Commission implemented this decision in principle by adopting Regulation (EEC) No 937/77 of 29 April 1977.⁵

¹ OJ L 96 of 23. 4. 1972.

² See 24th Review, paragraph 386, and paragraph 470 of this Review.

³ See paragraph 352 of this Review.

⁴ Article 5 of Regulation (EEC) No 878/77, OJ L 106 of 29. 4. 1977.

⁵ OJ L 110 of 30. 4. 1977.

Secondly, the Council adopted a Commission proposal allowing the Member States to continue, until 31 December 1977, to grant national aids under Article 14 (2) of Directive 72/159/EEC to agricultural holdings which are not in a position to submit a development plan and are not yet eligible for the aid on cessation of farming provided for under Directive 72/160/EEC.¹

This decision applies only to the aid measures which were in force on 15 March 1977 and will be re-examined when the 1972 Directives are revised.

Lastly, a specific decision concerning only Italy was taken by the Council on a proposal from the Commission. An increase was granted in the interest-rate subsidy which may be granted for investments made under a development plan, so as to take account of the continuing rise in interest rates in that country, which is slowing down implementation of the measures laid down in Directive 72/159/EEC² to a considerable extent. This Decision was to remain in force until 31 December 1977 and replaced Decision 76/402/EEC³ of April 1976.

467. Towards the end of 1977 the Commission submitted to the Council the second report on the implementation of the 1972 Directives,⁴ together with proposals for certain amendments to these Directives.

All these texts will be examined at the beginning of 1978 by the different Council departments.

The main conclusion in the Commission's report was that it was important to work towards the implementation of a long-term common policy on social structures which would be consistent and effective, without in the shorter term losing sight of the need to adapt certain existing measures to changes in the general economic situation which had occurred since 1972.

¹ Directive 77/390/EEC, OJ L 145 of 13. 6. 1977.

² Decision 77/681/EEC, OJ L 281 of 4. 11. 1977 and 24th Review, paragraph 389.

³ OJ L 108 of 26. 4. 1977.

⁴ For the first report see 24th Review, paragraph 386.

(b) *Directive 75/268/EEC¹ on mountain and hill farming and farming in certain less-favoured areas*

468. As mentioned in the previous Review,² the list of less-favoured regions for France originally comprised only the mountain regions.³ The Commission examined the situation regarding other regions in France which are mainly dependent on farming, and at the end of 1976 submitted to the Council a proposal for a Directive to include in the list of less-favoured regions in France certain areas which met the criteria given in paragraphs 4 and 5 of Article 3 of the basic Directive and which represented 7 263 212 hectares of usable agricultural land.

25 of these areas produce mainly fodder and are threatened by depopulation because farming presents serious difficulties. In these areas the final agricultural production per hectare of usable agricultural land and the gross farm income per 'annual family labour unit' are less than 80 % of the national average.

Secondly, six agricultural areas affected by specific handicaps within the meaning of Article 3 (5) of the basic Directive were taken into consideration. The difficulties in these areas arise mainly from the poor soil potential, constraints relating to conservation of the countryside and the insular nature of certain areas.

The Council agreed with this proposal and on 14 February 1977 adopted Directive 77/178/EEC.⁴ This means that an appreciable number of farmers in France are eligible for the various benefits provided for by the basic Directive on mountain and less-favoured farming areas.

It should also be noted that the Council, under its compromise policy when fixing prices for the 1977/78 marketing year and the new representative rates for converting these prices into national currencies,⁵ made it possible to increase by 2 % the compensatory payment provided for in the Directive on mountain and other less-favoured farming areas.⁶

¹ OJ L 128 of 19. 5. 1975.

² See 24th Review, paragraph 385.

³ Directive 75/271/EEC, OJ L 128 of 19. 5. 1975.

⁴ OJ L 58 of 3. 3. 1977.

⁵ See paragraph 352 of this Review.

⁶ Article 5 of Regulation (EEC) No 878/77, OJ L 106 of 29. 4. 1977.

The Commission, which is responsible for implementing this decision in principle, adopted Regulation (EEC) No 937/77 of 29 April 1977 fixing the minimum amount of this compensatory payment at 16.5 u.a. and the maximum at 53.5 u.a.¹

469. Lastly, on 30 November 1977 the Commission submitted to the Council a proposal in connection with a more general revision of the policy on social structures,² aimed at increasing the effectiveness in Ireland and Italy of the measures laid down in the Directive on mountain and other less-favoured areas. Since these countries have insufficient financial resources there has been a considerable delay in implementing this Directive, particularly the measures laid down for modernizing holdings in less-favoured areas.

To alleviate this difficulty, – aggravated by the general economic recession, particularly in the west of Ireland and southern Italy – the Commission proposed to increase from 25 % to 50 % the contribution of the Guidance Section of the EAGGF towards aids for farmers in these regions when they submit a development plan, or aids to encourage collective investment for fodder production and for improving and working lowland and highland areas which are grazed collectively.

This proposal will be examined in detail by the different Council departments at the beginning of 1978.

2. NEW COMMON MEASURES

(a) *Regulation (EEC) No 355/77 on improving the conditions under which agricultural products are processed and marketed³*

470. As recorded in the previous Review, the initial divergence of views regarding the Commission's proposal on this matter was resolved in December 1976.

Consequently, at its meeting on 14–15 February 1977, the Council was able formally to adopt the text of this Regulation,⁴ which

¹ OJ L 110 of 30. 4. 1977.

² See paragraph 470 of this Review.

³ OJ L 51 of 23. 2. 1977.

⁴ For the content of this Regulation see 24th Review, paragraph 390.

constitutes an appreciable contribution to the common policy aimed at improving production structures and the common policy on agricultural prices.

(b) *Measures to encourage the formation of producers' groups*

471. Because of the wide divergence of view between the Member States, particularly regarding the type of producers' group of which the formation should be encouraged throughout the Community, the Commission replaced its initial proposal under discussion since 1971¹ with a new text – less ambitious in its approach and concerned in the first instance with regions where the trading structure is particularly weak at the point where the products are first placed on the market.

The main aim of the new proposal is therefore to encourage the formation of producers' groups in Italy where only 16 % of the holdings belong to cooperatives set up with a view to joint trading. However, provision is made for extending the proposed system of aid to other regions, if in a situation comparable to that in Italy.

Lively discussions on this new proposal are being held in the different Council departments and it is reasonable to hope that the Council will be in a position to make a decision on the text of the Regulation in the first half of 1978.

(c) *Other measures*

472. Two other proposals for common action intended to supplement the joint policy on agricultural structures are still under study within the Council. Since not all the Member States are equally convinced of the advantages of these however, the Council intends to discuss the texts shortly as part of a more general debate covering its future policy on social structures.

These two texts are concerned with joint measures granting special aid to young farmers who are taking up farming for the first time and who wish to submit a development plan,² and also to encourage the afforestation of agricultural land which produces little or nothing.³

¹ See 20th Review, paragraph 96, 23rd Review, paragraph 354 and 24th Review, paragraph 391.

² See 22nd Review, paragraph 290.

³ See 23rd Review, paragraph 350.

473. Lastly, the Commission has recently submitted to the Council a proposal for a Directive on a programme to accelerate drainage operations in the less-favoured areas of the west of Ireland, and various specific proposals to improve the situation regarding agriculture in the Mediterranean regions of the Community.

3. AGRICULTURAL SURVEYS AND STATISTICS

(a) Survey on the structure of agricultural holdings

474. On 19 December 1977 the Council adopted the Regulation on the organization of a survey on the structure of agricultural holdings for 1979 and 1980.¹ This survey is based on the ten-yearly surveys recommended by the FAO, and provides a set of tables for the Community. The data relate mainly to the method of management, land use, numbers of animals, machines and installations, and the agricultural labour force. As regards the other commercial activities of the farmer and members of his family, the Member States and the Commission have undertaken to study the procedures required to carry out a structural survey in this sphere in the early 1980s.

(b) Statistical surveys of the Member States on the production potential of fruit tree plantations

475. Following a proposal submitted by the Commission on 1 December 1976,² and after consulting Parliament, on 14 February 1977 the Council amended the regulations on statistical surveys to be carried out on fruit trees so as to ensure that the Commission reports provided for in these regulations are also sent to Parliament for information.³

F – Financing of the common agricultural policy

1. INCREASED EXPENDITURE BY THE GUARANTEE SECTION

476. After the 1977 budget had been drawn up developments in the economy regarding harvests, world prices and monetary matters, and

¹ OJ L 35 of 4. 2. 1978.

² See 24th Review, paragraph 396, last subparagraph.

³ Directive No 77/159/EEC, OJ L 48 of 19. 2. 1977.

the Council's decisions when carrying out its annual task of fixing the prices for 1977/78, made it necessary to introduce supplementary and amending budget No 1,¹ which provides for an increase in appropriations for agricultural expenditure of 934 million u.a.

However, the total amount in the supplementary budget was only some 782 million u.a., since it was possible to cover some of the expenditure on agriculture by economies outside the EAGGF. It was mainly the milk and milk products sector which required considerable additional finance, since the favourable weather conditions and increased yield led to heavier expenditure than anticipated in this sector. In spite of the entry into force of the milk producers' co-responsibility levy, this gave rise to an increase in expenditure of 484 million u.a. Expenditure in the sugar sector also rose appreciably, i.e. by 94 million u.a. on an initial total of 320 million u.a.

Lastly, the expenditure on monetary compensatory amounts increased by some 388 million u.a., mainly in connection with intra-Community trade.

On the other hand, expenditure in the beef and veal sector was considerably lower than anticipated because of a net decrease in expenditure on government storage, and there was also a slight decrease in expenditure in the wine sector.

2. INCREASE IN EXPENDITURE BY THE GUIDANCE SECTION

477. With regard to the financing of measures to improve agricultural structures it should be noted that in 1977 the volume of Community expenditure earmarked for common measures within the meaning of Article 6 (5) of Regulation (EEC) No 729/70 again remained below the annual allocation of 325 million u.a. for the Guidance Section of the EAGGF. This made it possible again this year to allocate a substantial sum in commitment appropriations to financing individual projects under Regulation (EEC) No 17/64. However, the implementation on an increasingly broad front of Directive 75/268/EEC (on hill farming and certain other less-favoured areas) and the progressive implementation of Regulation (EEC) No 355/77 on common measures to improve the conditions under which agricultural products are processed and

¹ OJ L 233 of 12. 9. 1977.

marketed, will result as from 1978 in an appreciable increase in the annual contribution from the Guidance Section. Consequently after 31 December 1977 it will no longer be possible to finance individual projects on the basis of existing legislation, and increasing calls will have to be made on the reserve appropriations held under the Mansholt scheme, which at present total 531 million u.a.

3. FINANCIAL REGULATIONS AND EXTENSION OF THE EAGGF

478. In this sphere, the major development was the adoption by the Council, on 8 March 1977, of a Regulation¹ amending the Regulations of 1969 on the financing of intervention expenditure in the cereals and rice, beef and veal and milk and milk products sectors. This amendment provides that, where in particular cases the Council decides to allow an intervention agency in one Member State to transfer a quantity of cereals and rice, beef and veal or milk products to an intervention agency in another Member State, the transport costs borne by the intervention agencies in respect of such a transfer shall be financed by the Guarantee Section of the EAGGF under the system for financing the net losses of intervention agencies. As such, it takes account, on the financial level, of the increasing frequency of such transfers from surplus areas to areas of the Community which are deficient in the products concerned.

479. Also noteworthy was the decision of the Council to extend the application of EAGGF Guarantee Section financing in the French overseas departments to cereals products.² The Guarantee Section now applies, therefore, to sugar, tobacco, tinned pineapple and cereals produced in these departments.

4. ACTION AGAINST IRREGULARITIES

480. The continuing awareness of the Council of the need to further tighten up the administration and financial control of Community agricultural funds, in particular in respect of the detection, prevention and prosecution of frauds and irregularities, found expression in a number of measures at Community level in 1977.

¹ Regulation (EEC) No 496/77, OJ L 66 of 12. 3. 1977.

² Regulation (EEC) No 1386/77, OJ L 158 of 29. 6. 1977.

In the first place, the Council adopted in June 1977 a Directive on the scrutiny by Member States of transactions forming part of the system of financing by the Guarantee Section of the EAGGF.¹ This Directive provides primarily for systematic examination by the Member States of the commercial documents of undertakings receiving or making payments under the EAGGF financing system, and requires, in addition to a representative sample of all such undertakings, a minimum number of certain undertakings to be investigated each year. Furthermore, the Directive provides for mutual assistance between Member States in applying the measures therein.

In the second place, the Council, consequent upon a report on the beef and veal sector of the EAGGF submitted to it by the Special Committee of Enquiry set up by the Commission in 1973, adopted a Resolution in June 1977,² which on the one hand reaffirmed the importance the Council attached to the one adopted in December 1975,³ and on the other called for further initiatives to intensify action against fraud and irregularities especially in the beef and veal sector.

Finally, work is continuing in the Council departments on a proposed regulation concerning mutual assistance between Member States and between the latter and the Commission with the aim of ensuring the correct application of Community legislation in the customs and agricultural sectors.

G.— Harmonization of provisions laid down by law, regulation and administrative action

1. GENERAL REVIEW

481. After the important decisions made by the Council in 1976 harmonizing provisions on agriculture and food, the completion of work carried out in 1977, which mainly concerns veterinary and foodstuffs matters, appears to be a more modest achievement.

Nevertheless, there was no relaxation of effort. As in the past, major problems of concern to public opinion in the Community were

¹ Directive 77/435/EEC, OJ L 172 of 12. 7. 1977.

² OJ C 157 of 5. 7. 1977.

³ OJ C 298 of 30. 12. 1975.

examined, such as the labelling of foodstuffs and health protection against the dangers of vinyl chloride in materials and articles in contact with foodstuffs.

In so doing the priorities laid down by the Council in its Resolutions of 17 December 1973 and 22 June 1974 were observed and the work was carried out according to a programme specified by the Permanent Representatives Committee.

482. Side by side with this work on harmonization, the Council continued to play an active part in the corresponding work of various international organizations, in particular the FAO's work on the Codex alimentarius. This year the question arose for the first time of whether the Community was competent to accept the Codex standards already covered by Community regulations, and the Council made an important affirmative decision on this matter.¹

2. VETERINARY AND HEALTH LEGISLATION

483. As part of its overall decision on the 1977/80 action programme, and with a view to the progressive achievement of balance on the milk market, the Council decided to assist in improving the health of Community herds so as to make stockbreeding more profitable.

With this in mind the Council adopted Directive 77/391/EEC² granting some 130 million u.a. from Community funds for measures taken by the different Member States to irradiate brucellosis, tuberculosis and leukosis in cattle, which means in practice that Member States will receive 60 u.a. per cow and 30 u.a. per bovine animal other than a cow slaughtered under these measures.

In making this decision the Council was mainly endeavouring to promote the national campaigns against these enzootic diseases by specifying certain minimum requirements for these schemes to be eligible for Community aid, bearing in mind that more specific criteria were laid down by the Council on 13 December 1977 on a proposal from the Commission.

Having settled the trade problems by means of the regulations issued in 1964 and 1976, the Council is thus continuing to establish its

¹ See paragraph 501 of this Review.

² OJ L 145 of 13. 6. 1977.

Subject of regulations	Health aspects (human health)		
Outlets ¹	Intra-Community trade		
Type of product	Cattle/pigs/sheep/goats/horses		Poultry
<i>Live animals</i>			
Meat	<p><i>Directive 64/433/EEC (health)</i> All fresh meat for intra-Community trade must conform with the requirements of Article 3 and in particular Article 3 § 1 (A) which lays down that fresh meat must</p> <ul style="list-style-type: none"> – come from an animal considered by the official veterinarian to be suitable for slaughter for intra-Community trade in fresh meat (1.A.b) – bear a public health stamp (1.A.e.) 	<p><i>Directive 72/462/EEC (third countries)</i> All fresh meat imported into the Community must conform to the health and health inspection requirements of the 'third countries' Directive</p>	<p><i>Directive 71/118/EEC</i> Governs domestic intra-Community trade</p>
Meat-based Products	<p><i>Directive 77/99/EEC</i> All meat-based products for intra-Community trade must be prepared from fresh meat which conforms to the requirements of Directives 64/433/EEC, 71/118/EEC and 72/462/EEC</p>		

Health inspection (animal health)

Intra-Community trade	Domestic consumption		
	Cattle/pigs/sheep/goats/horses		Poultry
e /EEC es) imported n to the nspec- equire- of the e	<i>Directive 64/432/EEC</i> (health inspection) All animals for intra-Community trade must conform with the requirements of Article 3 (2)–(7) of Directive 64/432/EEC	Animals not conforming with Directive 64/432/EEC	
e /EEC es) ntry	<i>Fresh meat stamped 'EEC'</i> <i>Directive 72/461/EEC</i> (health inspection) All fresh meat for intra-Community trade must conform with the requirements of Articles 3 and 4 of the Directive, i.e. must come from an animal which does not come from a prohibited area (Article 3 (2) (b) of Directive 64/432/EEC)	Fresh meat not conforming to the requirements of the Directive, in particular fresh meat from animals from a prohibited area, in conformity with Article 3 (2) (b) of Directive 64/432/EEC	Remain subject to national legislation
d by Draft Directive on health inspection			

veterinary policy by tackling the introduction of a series of Community measures against the various diseases affecting Community livestock.

484. Under Article 14 of Directive 77/391/EEC mentioned above, on 13 December 1977 the Council established the Community criteria governing the national plans for the accelerated eradication of brucellosis, tuberculosis and enzootic leukosis in cattle.

As a result of this decision, the Member States now have the necessary data for drawing up plans to be submitted by 1 April 1978, except in special cases, in order to become eligible for Community aid in respect of measures taken to combat brucellosis, tuberculosis and, in the case of certain Member States, leukosis in cattle.

485. Under Article 14 of Directive 71/118/EEC,¹ on 13 December 1977 the Council adopted Directive 78/50/EEC,² supplementing, as regards the chilling process, the Directive on fresh poultry meat.

Thus the Council intends to bring to an end, on 15 February 1979, the use of a chilling process commonly known as the 'Spinchiller' process, in which the carcasses of the poultry are chilled by immersion in the direction of the flow of water, and to authorize in the future – for intra-Community trade – only one process of chilling by immersion, i.e. that in which the carcasses are propelled through a counter-flow of water, which constitutes an improvement from the point of view of hygiene.

486. After consulting Parliament and the Economic and Social Committee, the Council also decided to extend for one year a number of derogations relating to brucellosis, tuberculosis and swine fever which had been granted to Denmark, Ireland and the United Kingdom, in order that the technical study of the amendments to be made to the basic Directive may be continued with a view to the introduction of common provisions in this sphere.

487. Lastly the Council departments continued to study the proposal for a Directive relating to problems of health inspection in Community trade in meat-based products. This would supplement existing health legislation which – as shown in the table on pages 234 and 235 – has been introduced over the past few years by the Council, with a view to making the health regulations governing intra-Community trade as liberal as possible.

¹ OJ L 55 of 8. 3. 1971.

² OJ L 15 of 19. 1. 1978.

3. ANIMAL HUSBANDRY

488. By adopting Decision 77/505/EEC¹ on 25 July 1977 the Council established a Standing Committee on Zootechnics and, by Directive 77/504/EEC¹ on pure-bred breeding animals of the bovine species laid down a Community definition for pure-bred breeding animals of the bovine species, thus making a start on the progressive liberalization of intra-Community trade in pure-bred breeding animals.

4. LEGISLATION ON FOODSTUFFS

(a) General provisions

(i) New Directives

489. In 1976 two Directives concerning all foodstuffs were adopted, one concerning materials in contact with foodstuffs and the other on foodstuffs for particular nutritional uses. Since then the Council departments have continued to study the Commission's proposal on labelling and advertising of foodstuffs.

The advantages of these regulations for the protection and information of the consumer, and the importance which the governments of the Member States consequently attach to them were not lost sight of, but the Commission's proposal met with the kind of difficulty inherent in any effort at harmonization and stemming mainly from the different systems and regulations in each of the Member States.

Several questions were resolved, but major problems arose concerning the provision of a list of ingredients in the case of certain foodstuffs, and as regards dating procedures.

(ii) Adjustments and additions to existing regulations

490. This year six new proposals were submitted to the Council. Four of these concern amendments to the lists of additives (preservatives, colouring agents, antioxidants and emulsifiers) which may be used in

¹ OJ L 206 of 12. 8. 1977.

foodstuffs, while the other two are intended to lay down specific purity criteria for antioxidants and emulsifiers. These matters are being actively followed up.

(b) *Specific provisions by product or category*

(i) *New Directives*

491. On 27 June 1977 the Council adopted Directive No 77/436/EEC on coffee extracts and chicory extracts.¹

The object of the Directive is to regulate the method of manufacture, the composition, packing and labelling of these two products, and to lay down certain rules applicable to mixtures of them. Among these provisions the most important as regards harmonization is that laying down an extraction rate for obtaining coffee extracts, i.e. 1 kg of the finished product from 2.3 kg of raw coffee. There is provision for the Council to draw up a list of authorized decaffeination solvents at a later stage.

In addition, following the general procedure in previous Directives, provision was also made for a certain number of implementing measures to be adopted at a later date in accordance with the procedure of the Standing Committee on Foodstuffs.

492. Again in connection with new regulations, the proposal regarding vinyl chloride has been studied at different levels within the Council. This proposal is the first of the specific decisions provided for by the framework Directive on materials and articles in contact with foodstuffs.² Its main object is to provide consumer protection throughout the Community against the dangers associated with the presence of vinyl chloride monomer in materials and articles in contact with foodstuffs.

To achieve this, the proposal lays down a maximum permitted content of vinyl chloride in the materials and articles, and also the smallest quantity detectable by analysis, which must not be exceeded in foodstuffs. The proposal raised the question of the procedure for determining the methods for analysis necessary to check the vinyl chloride content.

¹ OJ L 172 of 12. 7. 1977.

² OJ L 340 of 9. 12. 1976.

493. In addition the Council departments continued the work in hand on the Commission's proposals on natural mineral water and jam and marmalade.

(ii) Adjustments to existing regulations

494. In August 1977 a proposal for a Directive was submitted to the Council making the first amendment to Directive 76/118/EEC concerning preserved milk. The object of this amendment was to specify certain registered trade marks in a number of Member States. This work is continuing.

A further adjustment to existing regulations was embodied in a proposal for a Directive submitted by the Commission to the Council in December 1977 making a fifth amendment to Directive 73/241/EEC relating to cocoa and chocolate products.

The aim of this proposal is to specify a number of definitions of chocolate. It also provides for the use of certain additives to be authorized, in response to a technological requirement in certain Member States.

5. LEGISLATION ON ANIMAL FEEDINGSTUFFS

495. In 1976 the Council adopted the 'straight feedingstuffs' section of the proposal submitted by the Commission in 1971. The second section, concerning compound feedingstuffs, is at present being studied.

Although a large number of problems concerning this draft text have been resolved, the problems of rules on raw materials and on tolerances in checking remain to be solved.

496. In connection with the adjustments and additions to existing regulations, three new proposals were submitted to the Council – one concerning certain products used in animal feedingstuffs and two others on amendments to Council Directives on additives in animal feedingstuffs, undesirable products and Community methods for the analysis of animal feedingstuffs, required for monitoring purposes.

6. LEGISLATION ON PLANT HEALTH

497. Community regulations in force following the Council's adoption of Directive 77/93/EEC¹ on the control of harmful organisms still need to be supplemented as regards certain specific measures to be taken by the Member States.

With this in mind, in 1977 the Council started to examine the proposal for a Directive submitted on 10 June 1977 on the control of bacteria which attack potatoes. The aim of the proposal is to lay down in a harmonized manner the measures to be taken at national level against the introduction and propagation of this disease in the Community. The implementation of uniform regulations would constitute a further step towards the free movement of goods which form a major item in the Community's agricultural production.

498. During the year under review work also started on two proposals, one on the marketing of EEC type-approved plant protection products and the other on the prohibition of the marketing and use of certain other plant protection products.

7. LEGISLATION ON SEEDS AND SEEDLINGS

499. Since the Community regulations in this sector have been in existence for several years some adaptations or additions became necessary. Thus the Council has adopted new Decisions and two amending Directives this year.

Decisions 77/658/EEC and 77/659/EEC of 11 October 1977² supplement, as regards new species and new countries, the Decisions adopted earlier by the Council on the equivalence of field inspections carried out in third countries on seed-producing crops, and the equivalence of seed produced in third countries, respectively.

The aim of Directive 77/658/EEC of 11 October 1977³ is to amend the Directive on seed potatoes by extending the period of validity of the Decisions on equivalence which the Member States had adopted previously in connection with trade in seed potatoes.

¹ OJ L 26 of 31. 1. 1977.

² OJ L 271 of 22. 10. 1977.

³ OJ L 261 of 14. 10. 1977.

In this connection a number of technical adjustments to the basic texts on seeds and seedlings were submitted to the Council in May 1977, and the first part of these was adopted on 19 December 1977.¹ Work is continuing on the remaining amendments.

500. Further adjustments to existing regulations were embodied in a series of new proposals submitted by the Commission to the Council. Some of these aim to establish equivalences of seed potatoes produced in third countries, reafforestation products grown in Austria and the checks on selection for conservation purposes carried out in third countries. The other proposals aim at supplementing, in respect of new countries, the Decisions adopted earlier by the Council concerning equivalences of seeds.

8. COORDINATION OF MEMBER STATES CONCERNING INTERNATIONAL PROJECTS

CODEX ALIMENTARIUS

501. During the year under review the Community on the one hand and the Member States on the other have for the first time 'accepted' certain Codex standards.

On 18 July 1977 the Council adopted a Decision embodying the Community's acceptance of some of the Codex standards on food sugars. The standards thus accepted by the Community as such concern the major and only section of the Codex standards of which the contents already form part of Community regulations, i.e. Council Directive 73/437/EEC² on certain sugars intended for human consumption. At the same time the representatives of the governments of the Member States agreed individually to empower the Community to accept on their behalf that section of the standards not covered by Community regulations, acceptance of which lies within the competence of the Member States. These acceptances were accompanied by specific derogations and the President of the Council was instructed to notify them all – acceptances and derogations – to the Secretariat of the Codex alimentarius.

¹ Directive 78/55/EEC, OJ L 16 of 20. 1. 1978.

² OJ L 356 of 27. 12. 1973.

502. In addition, work has continued as in the past on the coordination of Member States' positions within the Council at the various meetings between the Commission and the Codex Committees.

H – Fisheries policy (internal aspects)

COMMON FISHERIES POLICY FOLLOWING THE JOINT EXTENSION OF MEMBER STATES' FISHING ZONES TO 200 MILES

503. During the second half of 1976 and, most recently, on 20 December the Council endeavoured to implement a system of management and conservation of fishery resources to meet the new situation created by the joint extension of fishing zones to 200 miles due to come into force on 1 January 1977. The discussions concerned, based on a set of proposals submitted by the Commission in September 1976, failed to lead to an agreement either on definitive or on interim arrangements for 1977 only – a possibility suggested by the Commission in the final stage of the negotiations.

Accordingly, at the beginning of 1977 the Community was in a paradoxical and, in some respects, worrying situation: in implementation of a commitment undertaken in the Community context at The Hague in October 1976, all the Member States with coastlines along the North Sea and the North Atlantic were about to extend their fishing zones simultaneously to 200 miles from the coast, even though neither the details nor even the outline of the joint system of management and conservation of fishery resources had been determined in conjunction with the proposed action, the urgent necessity for such a system having in part justified the extension to 200 miles.

504. In view of the dangers inherent in this situation the Community adopted two conservation measures which, together with the principle of equal access, will constitute the minimum legal basis for fishing activities during 1977. The first measure is Annex VI of the Resolution of 3 November 1976, known as The Hague Resolution, which specifies that Member States may take appropriate measures, for conservation purposes and in a non-discriminatory manner, to protect resources in the fishing zones off their shores, on the understanding that the Member

State concerned must consult the Commission at each stage of the procedure and seek its approval before these measures are adopted.

In the absence of a common policy, this statement naturally had an important role to play since it was an unequivocal reminder of the basic principle of non-discrimination between Community fishermen, and also because it laid down a Community procedure which allowed the Commission to give an opinion beforehand on the validity of any national measure, so providing certain guarantees regarding adherence to this principle¹ and to the provisions of the Treaty in general.

505. This minimum Community discipline to which national legislations had to conform was mainly concerned with technical conservation measures such as mesh sizes, close seasons for certain species, etc. but left completely open the question of the intensity of fishing itself. It was therefore supplemented by a 'standstill' Decision, adopted on 18 February 1977, under which the Council agreed that fishing activities in Community waters in 1977 should be restricted to ensure that catches did not exceed those covered by the corresponding periods in 1976. This undertaking by the Member States had two aims: to avoid an increase in catches which would have been detrimental to conservation and replenishment of stocks, and to maintain the division of catches between Member States at the 1976 levels, which would avoid prejudicing the final allocation – 1977 being, as it were, neutralized in this respect.

506. Having thus outlined the arrangements for fishing activities in the new 200-mile zone, the Council² developed two lines of approach during 1977. Firstly a series of attempts were made to define the main points of a scheme for the conservation and allocation of resources which would be acceptable to all parties, and secondly, pending a general and definitive agreement, conservation measures – urgently required because of the alarming situation of certain stocks – were taken.

Thus on 18 February 1977³ the Council adopted a number of provisions prohibiting herring fishing in the North Sea until April 1977

¹ In addition to this preventive check there existed of course the normal channels of appeal to the Court of Justice, which is thus to give judgment on the measures taken by Ireland.

² See paragraph 342 et seq. of this Review.

³ Regulation (EEC) No 350/77, OJ L 48 of 19. 2. 1977.

and in the Celtic Sea until 31 December 1977, and Norway pout fishing until 31 March 1977 in a certain area off Scotland. The last-mentioned prohibition was designed to protect stocks of young whiting and haddock. In addition considerable restrictions were placed on the use of factory ships and the maximum number of ancillary catches of demersal species, authorized when fishing for industrial purposes, was reduced from 25 % to 20 %.

507. Subsequently the prohibition of herring fishing in the North Sea had to be extended on a number of occasions¹ and finally remained in force throughout 1977, apart from a certain period in July, when the United Kingdom applied a national prohibition under Annex VII of the Resolution of 3 November 1976. In addition the Council granted very restricted exemptions in favour of Dutch fishermen (1 500 tonnes for June)² and to certain self-employed French fishermen (600 tonnes for November and December 1977).³

In order to produce a coherent conservation and management policy these measures were supplemented by two Regulations, adopted on 25 July and 2 August 1977 respectively⁴ extending the prohibition of herring fishing to other maritime zones during various periods, and laying down catch quotas where herring fishing was still authorized, and particularly in the areas off the west coast of Scotland, the west coast of Ireland and the Irish Sea.

Also in connection with herring fishing, on 27 September 1977 the Council adopted a Regulation prohibiting indefinitely the direct fishing and landing of herring for industrial purposes other than human consumption.⁵

The prohibition on Norway pout fishing expired on 1 April 1977 but was reintroduced for the period between 1 September and 15 October 1977,⁶ and extended until 31 October 1977 in a slightly less severe form.⁷

¹ Regulations (EEC) Nos 879/77, OJ L 106 of 29. 4. 1977; 1057/77, OJ L 128 of 24. 5. 1977; 1672/77, OJ L 186 of 26. 7. 1977; 2114/77, OJ L 247 of 28. 9. 1977; 2366/77, OJ L 277 of 29. 10. 1977.

² Regulation (EEC) No 1057/77, OJ L 128 of 24. 5. 1977.

³ Regulation (EEC) No 2479/77, OJ L 287 of 11. 11. 1977.

⁴ Regulations (EEC) Nos 1672/77, OJ L 186 of 26. 7. 1977; 1779/77, OJ L 196 of 3. 8. 1977.

⁵ Regulation (EEC) No 2115/77, OJ L 247 of 28. 9. 1977.

⁶ Regulation (EEC) No 1673/77, OJ L 186 of 26. 7. 1977.

⁷ Regulation (EEC) No 2243/77, OJ L 260 of 13. 10. 1977.

Although the Commission had submitted a proposal to extend the validity of this measure until the end of the year the Council did not do so, and the United Kingdom took a relevant national measure under The Hague Agreement.

Lastly it should be noted that the Council did not reach agreement on a definitive system at its meeting in December 1977, and that a final deadline of a further month was set. Hence all these measures, due to expire on 31 December 1977, were extended until 31 January 1978.¹

508. These specific moves were intended to be emergency measures, although their significance should not be overlooked since they were the concrete expression of the reiterated wish of all the Member States to launch an effective conservation policy. At the same time the Council continued and intensified its efforts to define a new common fisheries policy. Thus during the first half of the year a large number of meetings were held at all levels within the Community departments in order to examine more carefully the various aspects of the main issues involved. The objective was to arrive at a joint approach which would help to overcome outstanding differences, in particular those between the supporters of a policy designed to give certain priority rights to the States claiming the coastal waters in question – mainly Ireland and the United Kingdom – and the supporters of a policy based on the principle of free access with all its consequences regarding both conservation and allocation of resources.

509. In September 1977, following these debates which certainly brought a greater understanding of the difficulties and clarified the various viewpoints concerned, the Commission submitted a new series of proposals to the Council. These measures included fixing the annual catch quotas and national quotas on the basis of previous performance but also taking account of the specific needs of certain regions, special provisions governing the twelve-mile limit, technical conservation, inspection and surveillance measures, and immediate structural measures aimed at adjusting in the short term the capacity of the fleets to the inevitable reduction in potential catches. In addition to these measures the proposals included an extension of the period of validity of the prohibition of herring fishing in the North Sea and the Celtic Sea, a system of specific aids designed to alleviate the difficulties which would

¹ Regulation (EEC) No 2899/77, OJ L 338 of 28. 12. 1977.

arise in certain areas as a result of these measures, and an extension of the prohibition of Norway pout fishing off the west coast of Scotland. Lastly there was provision for a Community contribution towards the costs arising from the surveillance of fishing activities off Ireland and Greenland.

510. When the experts had completed their examination of these texts, they were discussed at several Council meetings specifically devoted to fishing problems. The Council had hoped to finalize these matters at its meeting on 5–6 December 1977, but in spite of appreciable progress – particularly on conservation and surveillance measures – did not succeed in finding a generally acceptable solution to what was henceforth to be the key problem, i.e. the allocation of available resources. In view of the progress which had nevertheless been made and the need to undertake a more detailed study of further aspects which had emerged during the discussions, and particularly the question of compensation for losses in the waters of third countries, the Council agreed to suspend its meeting until 16 January 1978. Meanwhile the Commission was instructed to draw up, on the basis of data to be supplied by the Member States, a new system of allocation which would take better account of the interests of the various parties involved.

CHAPTER VI

Administrative matters – Miscellaneous

A – Budgetary matters

1. SUPPLEMENTARY AND AMENDING BUDGET NO 1 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1977

511. On 1 April 1977 the Commission submitted to the Council the preliminary draft of supplementary and amending budget No 1/1977.

This preliminary draft budget is mainly intended to cover the supplementary expenditure related to the 'Guarantee' Section of the EAGGF, which, for the most part, arises from the effects of monetary factors and, to a smaller extent, from economic developments, such as the proposed revisions to agricultural prices submitted by the Commission to the budgetary authority on 14 February 1977. The Commission's proposal also includes adjustments to the appropriations required for the staff, following the Decision adopted by the Council on 21 December 1976, and adjustments to the research appropriations.

The Commission also proposes an entry intended to cover the guarantee to the EIB for the loans to the Maghreb countries and Malta, an entry to finance a cooperation project with the Arab countries (under the Euro-Arab Dialogue) and certain corrections to the list of posts, which would alter some posts and create a limited number of new posts in order to meet new and urgent requirements connected with the negotiations relating to fisheries problems.

Lastly, the Commission proposes the inclusion of an initial structure in respect of the section for the European Court of Auditors. In addition, the Commission specifies that this proposed amending budget

should also include a revision of all the estimates regarding own resources.

A letter of amendment to this preliminary draft budget concerning adjustments in connection with the Guarantee Section of the EAGGF, and also to the research and investment appropriations, was submitted to the Council by the Commission on 18 May 1977.

The preliminary draft budget, together with the letter of amendment, was submitted to Parliament to enable it to make an initial examination of the political aspects.

512. At its meeting on 21 June 1977 the Council agreed to remove from this draft budget the section relating to research appropriations. This section now forms amending budget No 2 for the financial year 1977.¹

At this same meeting the Council established the draft supplementary and amending budget No 1 for the financial year 1977.

The supplementary appropriations in this draft budget total 786 967 339 u.a.

This draft budget was submitted to Parliament.

At its sitting on 7 July 1977, Parliament approved the draft supplementary and amending budget No 1 for the financial year 1977, and accordingly adopted it.

The President of the European Parliament took note that supplementary and amending budget No 1 of the European Communities for the financial year 1977 was finally adopted.

Supplementary and amending budget No 1 for the financial year 1977 was published in the Official Journal of the European Communities.²

2. AMENDING BUDGET NO 2 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1977

513. This is dealt with under Chapter III ('Research').

¹ See paragraph 163 of this Review.

² OJ L 233 of 12. 9. 1977.

3. BUDGET OF THE EUROPEAN COMMUNITIES FOR 1978

Establishment of the draft general budget of the European Communities for 1978

514. It should be recalled that with a view to preparing the 1977 budget the Council and Parliament had agreed to follow a timetable based on suggestions made by the Commission designed to allow Parliament and the Council more time during the latter stages of the budgetary procedure. However, the Council reserved the right to review this matter the following year in the light of its experience in 1976.

Following receipt of a letter from Parliament the Council informed that body that it was again prepared to follow for the current year the pragmatic timetable adopted for drawing up the 1977 budget.

In accordance with this new timetable the preliminary draft of the general budget of the European Communities for 1978 was submitted by the Commission to the Council on 14 June 1977.

515. Following the procedure of cooperation between the Council and Parliament, before establishing the draft budget the Council held an exchange of views with a delegation from Parliament. During this exchange of views Parliament was able to express its political viewpoint on the main budgetary and financial guidelines for the financial year 1978.

The Council established the draft general budget of the European Communities for the financial year 1978 at its meeting on 20 July 1977, after consulting the Commission and the Court of Justice.

The draft 1978 budget was established in EUC, without prejudice to discussions to be held on the question of a common interpretation of Article 131 of the Act of Accession.

516. The payment appropriations in the draft general budget of the European Communities for the financial year 1978 total 11 318 716 450 EUC. They comprise:

Commission expenditure broken down as follows:

- intervention appropriations covering expenditure in the agricultural, social, regional, energy, industry and transport research, and development cooperation sectors;
- operating appropriations covering expenditure relating to staff, operational costs, information, aid and subsidies;
- other expenditure comprising the contingency reserve and the lump sum repayment to Member States of costs incurred in collecting the Community's own resources;
- expenditure by the other Institutions.

517. The draft general budget together with an explanatory memorandum was forwarded to Parliament informally on 5 September 1977. It was presented to that body during the September part-session by the President of the Council.

By letter dated 4 October 1977 the Council officially forwarded the draft general budget for the financial year 1978.

518. On 19 September 1977 the Commission submitted to the Council a letter of amendment relating to the draft general budget of the European Communities for 1978.

This letter of amendment concerns appropriations relating to:

EAGGF – Guarantee;

EAGGF – Guidance;

Social Fund;

food aid;

industrial policy;

investment incentives;

lump sum repayments of cost of collecting own resources.

The letter of amendment relating to the draft budget was established by the Council on 7 October 1977 by written procedure.

The amendments relating to the different areas of expenditure are as follows:

	Million EUC
I. EAGGF – Guarantee	+ 589.15
II. EAGGF – Guidance (– 10.2 million EUC in commitment appropriations)	– 10.2
III. Social Fund (+ 8 million EUC in commitment appropriations)	+ 2.5
IV. Food aid	+ 3.01
V. Industrial policy	+ 15 (in Ch. 100)
Correction – lump sum repayment 10 % to the Member States	+ 40.34
Total	+ 639.800

The letter of amendment relating to the draft general budget of the European Communities for the financial year 1978 was forwarded to Parliament on 7 October 1977.

519. The payment appropriations in the draft general budget of the European Communities for the financial year 1978, after establishment of the letter of amendment, total 11 958 516 450 EUC.

520. The following table compares estimated expenditure in the 1978 draft budget with appropriations in the 1977 budget:

Expenditure estimates in the draft budget for 1978 compared with appropriations in the budget

Sector	1977 budget ¹				
	u.a.		EUC		
	Commitment appropriations	Payment appropriations	Commitment appropriations	%	Payment appropriations
	1	2	3		4
Commission Intervention appropriations					
Agriculture	7 463 103 500	7 295 903 500	7 455 703 600	72.61	7 288 503 600
Social	636 587 000	189 597 000	524 142 500	5.10	158 352 500
Regional	500 000 000	400 000 000	398 300 000	3.88	318 600 000
Research, energy industry and transport	289 427 840	234 136 503	276 117 900	2.69	220 778 700
Development cooperation	269 880 100	269 880 100	308 026 000	3.00	308 026 000
Miscellaneous	token entry	token entry	token entry	—	token entry
	9 158 998 440	8 389 517 103	8 962 290 000	87.28	8 294 260 800
Operating appropriations					
Staff	284 107 500	284 107 500	343 939 900	3.35	343 939 900
Operating expenditure	83 181 240	83 181 240	98 010 400	0.96	98 010 400
Information	8 090 000	8 090 000	8 130 000	0.08	8 130 000
Aid and subsidies	31 976 100	31 976 100	35 729 700	0.35	35 729 700
	407 354 840	407 354 840	485 810 000	4.73	485 810 000
Contingency reserve					
<i>Reimbursement to Member States</i>	3 985 000	3 985 000	3 985 000	0.04	3 985 000
Commission total	629 784 164	629 784 164	629 784 164	6.13	629 784 164
	10 200 122 444	9 430 641 107	10 081 869 164	98.19	9 413 839 964
Other institutions	153 886 416	153 886 416	186 295 000	1.81	186 295 000
Grand total	10 354 008 860	9 584 527 523	10 268 164 164	100.—	9 600 134 964

¹ Taking account of supplementary budget No 1 and draft supplementary budget No 2.

² Taking account of letter of amendment No 1.

Source: Commission.

Draft 1978 budget ²				Variation			
EUC				Commitment appropriations Col. 5/Col. 3		Payment appropriations Col. 6/Col. 4	
Commitment appropriations	%	Payment appropriations	%	Amount	%	Amount	%
5		6		7		8	
4 112 600	75.03	9 154 112 600	76.55	+1 748 409 000	+23.45	+1 865 609 000	+ 25.60
0 938 000	4.74	416 202 000	3.48	+ 56 795 500	+10.84	+ 257 849 500	+162.83
3 000 000	3.24	390 000 000	3.26	- 300 000	- 0.07	+ 71 400 000	+ 22.41
4 873 395	1.83	259 467 003	2.17	- 51 244 505	-18.56	+ 38 688 303	+ 17.52
3 346 000	3.45	303 342 000	2.54	+ 115 320 000	+37.44	- 4 684 000	- 1.52
en entry	—	token entry	—	—	—	—	—
1 269 995	88.30	10 523 123 603	88.00	+1 868 979 995	+20.85	+2 228 862 803	+ 26.87
4 876 800	3.14	384 876 800	3.22	+ 40 936 900	+11.90	+ 40 936 900	+ 11.90
5 580 200	0.86	105 580 200	0.88	+ 7 569 800	+ 7.72	+ 7 569 800	+ 7.72
9 018 000	0.07	9 018 000	0.08	+ 888 000	+10.92	+ 888 000	+ 10.92
1 558 100	0.34	41 558 100	0.35	+ 5 828 400	+16.31	+ 5 828 400	+ 16.31
1 033 100	4.41	541 033 100	4.52	+ 55 223 100	+11.37	+ 55 223 100	+ 11.37
5 000 000	0.04	5 000 000	0.04	+ 1 015 000	+25.47	+ 1 015 000	+ 25.47
9 600 000	5.62	689 600 000	5.77	+ 59 815 836	+ 9.50	+ 59 815 836	+ 9.50
6 903 095	98.37	11 758 756 703	98.33	+1 985 033 931	+19.69	+2 344 916 739	+ 24.91
9 759 747	1.63	199 759 747	1.67	+ 13 464 747	+ 7.23	+ 13 464 747	+ 7.23
6 662 842	100.—	11 958 516 450	100.—	+1 998 498 678	+19.46	+2 358 381 486	+ 24.57

521. Estimated operating appropriations are broken down among the Institutions as follows:

Institutions and bodies	1977 budget ¹ (EUC)	Draft 1978 budget (EUC)
European Parliament	82 522 000	85 500 217
Council (own expenditure)	72 867 000	81 333 800
Economic and Social Committee	13 921 000	15 598 100
Audit Board	850 000	token entry
ECSC Auditor	150 000	token entry
Commission	485 810 000	541 033 100
Court of Justice	15 380 000	17 327 630
Court of Auditors	605 000	token entry ²
Total	672 105 000	740 792 847

¹ Including supplementary and amending budget No 1.

² See paragraph 524 of this Review.

Staff authorized for each of the Institutions under the draft budget for the financial year 1978 are as follows:

	Permanent posts	Temporary posts
Parliament	1 555	144
Council	1 511	6
Economic and Social Committee	311	
Commission		
— operating budget	8 154	244
— research and investment budget	2 626	170
Court of Justice	280	8
Court of Auditors	token entry	token entry ¹

¹ See paragraph 524 of this Review.

522. At its sitting on 26 October 1977 Parliament adopted amendments and proposed modifications to the draft general budget of

the European Communities for the financial year 1978. By letter dated 28 October 1977 Parliament forwarded to the Council the draft general budget for the financial year 1978 thus amended together with the proposed modifications.

523. At its meeting on 22 November 1977 the Council took a decision concerning the draft budget forwarded by Parliament.

Before taking a decision on this draft budget the Council met a delegation from Parliament, and a wide-ranging exchange of views was held concerning mainly the political guidelines laid down by Parliament and the Council during this year's debate on the budget.

After deciding on each of Parliament's amendments and proposed modifications the Council did not accept the amendments concerning the Social Fund, in order to demonstrate once again its wish to give priority to the social sector.

As regards Parliament's proposed amendment to the European Regional Development Fund, the Council decided to reject this for technical reasons of budgetary procedure. It was proposed to examine the matter in consultation with Parliament at a meeting due to take place on 7 December,¹ with a view to reaching agreement on an amount which would enable the Fund to increase its activities effectively and substantially.

In view of this meeting the Council also decided not to make any provisional amendments to the appropriations which it had entered in the draft budget in July regarding food aid in cereals and skimmed-milk powder.

524. The Council adopted the letter of amendment No 2 relating to the general budget for the financial year 1978 concerning Section V – Court of Auditors – which was submitted by the Commission on 18 November 1977.²

When adopting this letter of amendment the Council decided to reduce from 18 million EUC to 5 million EUC the proportion of the ECSC levy paid under Article 20 of the Treaty of 8 April 1965 (Article 300 of the

¹ See paragraph 526 of this Review.

² Estimated appropriations for the Court of Auditors total 9 982 055 EUC and there is provision for 87 posts in its establishment plan (21 of which are frozen).

revenue estimates), in view of its decision to reduce this contribution. The Council also took note of the new estimates for the VAT assessments for 1978 submitted by the Commission. The new estimates are entirely without prejudice to the corrections to be made in 1979. These will be based on a calculation of the actual assessments which must be subject to strict monitoring by the Community departments.

525. The draft budget thus amended and the results of the Council's deliberations on Parliament's amendments and proposed modifications were forwarded to Parliament on 28 November 1977. The letter of amendment No 2 relating to the draft general budget was also forwarded to Parliament.

526. At its meeting on 7 December 1977 the Council, having noted that the European Council had agreed on 6 December 1977 to a three-year programme for the European Regional Development Fund, established as follows:

1978: 580 million EUC	}	total 1 850 million EUC
1979: 620 million EUC		
1980: 650 million EUC		

decided to inform Parliament that the European Council had agreed that 580 million EUC in commitment appropriations should be allocated to the Regional Fund for 1978. Parliament would be required to adopt a position on this under the budgetary procedure.

The payment appropriations corresponding to the commitment appropriations of 580 million EUC were established at 210 million EUC.

527. As regards food aid in cereals and milk powder the Council noted that the Commission, in view of the decision to increase the volume of Community food aid in cereals under the new Food Aid Convention, had withdrawn its proposals to increase the cereals aid programme for 1978. It therefore decided to maintain the figure of 720 500 tonnes of cereals which had been agreed by the Council in the draft budget, and not to accept Parliament's proposed modification.

With the reservation that the formal decision still had to be taken regarding the details, the Council agreed in principle to aid amounting to 150 000 tonnes of skimmed-milk powder.

528. At its sitting on 15 December 1977 Parliament gave a ruling on the modifications made by the Council to the amendments to the draft budget which it had adopted on 26 October 1977. It approved an increase in non-compulsory expenditure of 34 million EUC in payment appropriations and 80 million EUC in commitment appropriations in connection with the draft budget for the financial year 1978 established at the first reading by the Council. Further increases were made of 135 million EUC in payment appropriations and 183 million EUC in commitment appropriations for the Regional Fund. This brought estimated expenditure for the financial year 1978 to a total of 12 362 004 592 EUC.

529. At its meeting on 19 December 1977 the Council also gave its assent to these increases and to the resultant new rates for commitment and payment appropriations.

The Assembly fixed the rate mentioned in the second subparagraph of Article 4(1) of the Decision of 21 April 1970¹ (the rate applicable to resources accruing from VAT) at 0.64 %, and the Council also agreed to this rate.

530. On 21 December 1977 the President of the European Parliament declared that the procedure laid down in Articles 78 of the ECSC Treaty, 203 of the EEC Treaty and 177 of the EAEC Treaty had been completed and that the general budget for the financial year 1978 was finally adopted.

He so informed the Council by letter dated 22 December 1977.

531. The general budget of the European Communities for 1978 was published in the Official Journal² by order of the President of the European Parliament.

4. OTHER BUDGETARY MATTERS

(a) *Transfer of appropriations from one chapter to another within the budgetary estimates of the Institutions for 1977*

532. The Council approved the various requests for appropriations to be transferred from one chapter to another, as proposed by the Commission.

¹ OJ L 94 of 28. 4. 1970.

² OJ L 36 of 6. 2. 1978.

(b) *Carry-over of appropriations from the financial year 1976 to the financial year 1977*

533. The Council approved requests for the following appropriations to be carried over as submitted by the Commission:

534. At its meeting on 18-19 July 1977 the Council took note of the favourable opinion given by Parliament with regard to the first list of non-automatic appropriations to be carried over from the financial year 1976 to the financial year 1977, which had been submitted to the Council and forwarded to Parliament by the Commission on 12 April 1977.

The Council decided not to take a contrary decision with regard to this first list.

At its meeting on 17 October 1977 the Council approved the full list of appropriations which the Commission had requested should be carried over from the financial year 1976 to the financial year 1977 on 10 June 1977. However, the Council reduced the amount earmarked for the JET project to 2.2 million u.a., in view of the stage which the project had reached.

At its meeting on 26-27 September 1977 the Council took note of the list of appropriations automatically carried forward from 1976 to 1977, forwarded for information by the Commission on 25 July 1977.

(c) *Discharge given to the Commission in respect of the implementation of the budget for the financial year 1975*

535. At its meeting on 25-26 April 1977 the Council gave a discharge to the Commission in respect of the implementation of the budget and the supplementary and rectifying budgets of the European Communities for the financial year 1975.

By letter dated 29 April 1977 the President of the Council communicated this decision to Parliament.

At its sitting on 28 June 1977 Parliament gave a final discharge to the Commission in respect of the implementation of the budget for the financial year 1975.

5. FINANCIAL REGULATIONS

536. Following the Resolution adopted by Parliament on 14 December 1976, delivering its opinion on the Commission's proposal to the Council relating to a Regulation amending the Financial Regulation of 25 April 1973, the Commission decided to amend its initial proposal. On 11 March 1977 the Commission submitted to the Council the amended proposal for a Council Regulation amending the Financial Regulation.

The Council agreed that the conciliation procedure should be applied when these Financial Regulations were adopted, and in its Resolution of 14 December 1976, Parliament asked that the conciliation procedure be applied before the Council adopted the text of the Regulation amending the Financial Regulation of 25 April 1973. At its meeting on 16-17 May 1977, on the basis of the amended proposal for a Regulation submitted by the Commission, the Council accordingly decided on joint guidelines regarding the Regulation amending the Financial Regulation of 25 April 1973.

The text of these joint guidelines was forwarded to Parliament on 18 May 1977.

Following the adoption by Parliament on 7 July 1977 of the Resolution giving its opinion on the Commission's proposal to the Council relating to a Regulation amending 'Title VII – Special provisions applicable to the research and investment appropriations' of the Financial Regulation of 25 April 1973, the Commission decided to amend its original proposal.

On 25 July 1977 the Commission submitted to the Council a second amended proposal for a Council Regulation amending the Financial Regulation.

On 17–18 October 1977 the Council adopted joint guidelines on the amendment of 'Title VII – Special provisions applicable to the research and investment appropriations' of the Financial Regulation of 25 April 1973.

A third amended proposal for the Regulation amending the Financial Regulation of 25 April 1973 was submitted by the Commission to the Council on 11 August 1977. This proposal concerns amendments to the Financial Regulation, made necessary by the integral 'own resources' system.

The Conciliation Committee met for the first time on 7 November 1977 and brought the viewpoints of Parliament and the Council closer together on matters concerning nomenclature, differentiated appropriations, borrowings and loans, carry-over of appropriations, advances to Member States for the Guarantee Section of the EAGGF, briefing of Parliament and supplementary budgets.

The Conciliation Committee met again on 22 November to examine the outstanding matters, i.e. the transfer of appropriations, the scope of the remarks on the budget and research appropriations.

A final meeting between the Council and Parliament was held on 7 December 1977 to discuss the articles concerning monitoring.

At its 495th meeting on 21 December 1977 the Council adopted the new Financial Regulation applicable to the general budget of the European Communities which enters into force on 1 January 1978¹ and replaces the Financial Regulation of 25 April 1973.

B – Staff Regulations

1. ADJUSTMENT OF CERTAIN RATES CONCERNING THE DAILY SUBSISTENCE ALLOWANCE ON MISSION

537. Under Regulation No 2687/77 of 5 December 1977² the Council decided to increase by 10 % the daily subsistence allowance³ for missions to Brussels, Luxembourg and Strasbourg in order to take account of the particular situation of officials and other servants who were regularly obliged to go on mission when Parliament or its committees held a sitting or a meeting.

2. ADJUSTMENT TO REMUNERATIONS

538. Under Regulation No 2859/77 of 19 December 1977⁴ the Council adjusted the remunerations of officials and other servants of the European Communities for the reference period 1 July 1976 to 30 June

¹ OJ L 356 of 31. 12. 1977.

² OJ L 314 of 8. 12. 1977.

³ This adjustment does not affect officials in grades A1 to A3 and L/A3.

⁴ OJ L 330 of 23. 12. 1977.

1977. Taking account of movements in the remunerations of national officials the real value of Community remunerations fell by 2.2%.

In order to ensure the neutral effect of incorporating a weighting into the basic salary scale in accordance with the provisions of the new method of adjusting remunerations adopted on 29 June 1976, the Council accepted a modification of this method for the financial year in question. This modification covers an adjustment to the brackets of the Community tax table in line with the adjustment to the basic salary scale.

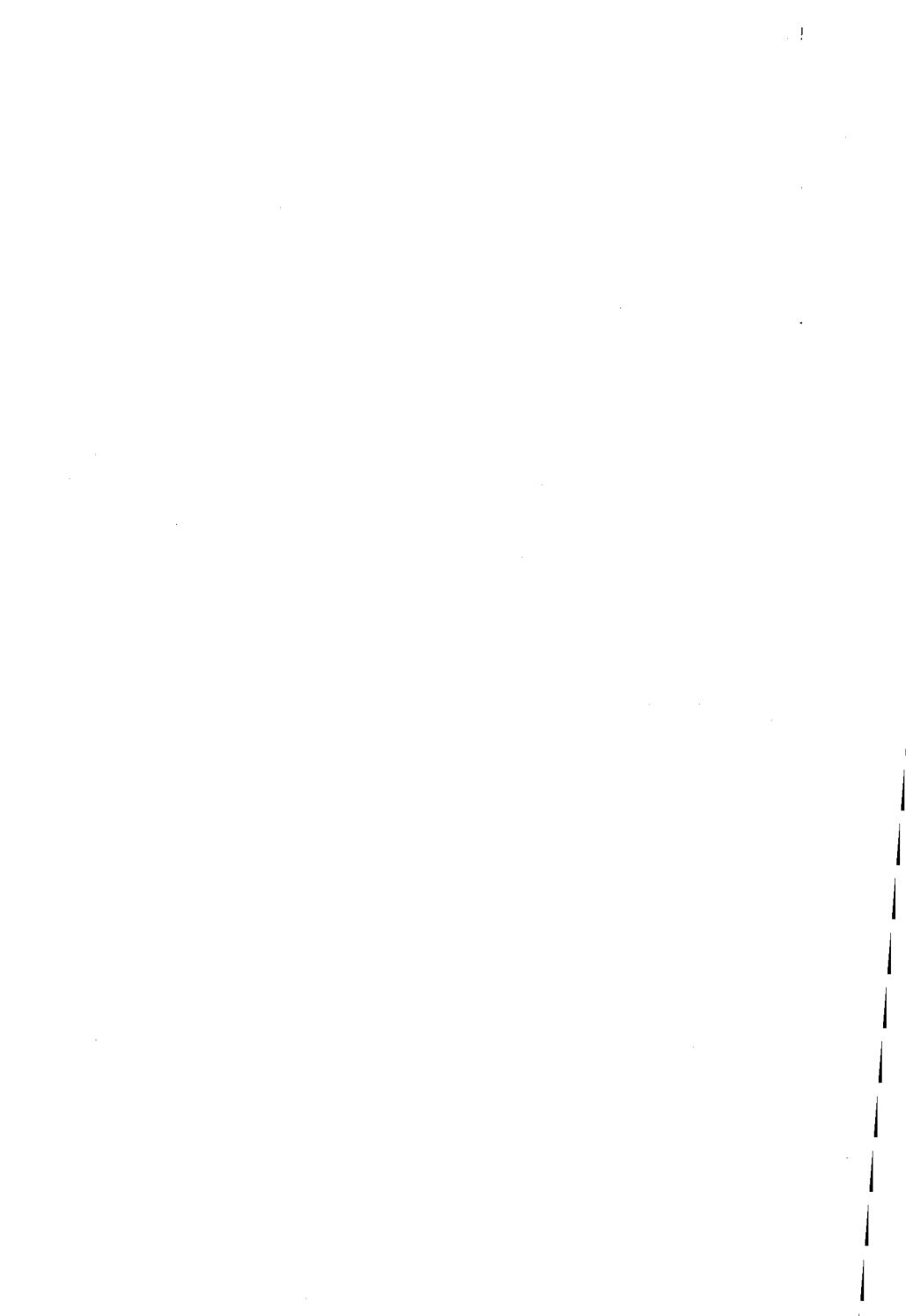
At the same time the Council instructed the Commission to draw up a detailed report as soon as possible on the results of the provisional method used for the current annual review, so that a decision on the final method could be taken by 30 June 1978.

The Council specified that the salary scale laid down under the current annual review might be amended in the light of the report mentioned above. It should be stressed that the decision on the current adjustment of remunerations was taken without discussion at Council level.

3. TEMPORARY FIXED ALLOWANCE ('SECRETARIAL ALLOWANCE')

539. Pending a final decision as part of the revision of the Staff Regulations, the Council extended the period of the payment of this allowance on several occasions.¹

¹ OJ L 160 of 30. 6. 1977, OJ L 243 of 22. 9. 1977 and OJ L 306 of 30. 11. 1977.



TABLES

TABLE 1

**Number of days spent on Council meetings and meetings of
preparatory bodies**

Year	Ministers	Ambassadors and Ministerial Delegations	Committees and Working Parties
	EEC/EAEC/ECSC	EEC/EAEC/ECSC	EEC/EAEC/ECSC
1958	21	39	302
1959	21	71	325
1960	44	97	505
1961	46	108	655
1962	80	128	783
1963	63½	146½	744½
1964	102½	229½	1 002½
1965	35	105½	760½
1966	70½	112½	952½
1967	75½	134	1 233
1968	61	132	1 253
1969	69	129	1 412½
1970	81	154	1 403
1971	75½	127½	1 439
1972	73	159	2 135
1973	79½	148	1 820
1974	66	114½	1 999½
1975	67½	118	2 079½
1976	65½	108½	2 130
1977	71	122	2 108½

TABLE 2

Intergovernmental conferences on the subject of patents

Period	Plenary	Groups
1. 8. 70 – 31. 12. 70	—	37
1971	8	37½
1972	19	61
1973	24	9

TABLE 3

Interim Committee of the European Patent Organization

Period	Plenary	Groups
1974	2	76½
1975	10	142
1976	11	162
1977	12	90

TABLE 4

Interim Committee for the Community Patent

Period	Plenary	Groups
1977	2	7

ABBREVIATIONS

- A -

ACP	African, Caribbean and Pacific States
ADB (AsDB)	Asian Development Bank
AETR	European Agreement concerning the work of crews of vehicles engaged in international road transport
ARE	Arab Republic of Egypt
ASEAN	Association of South-East Asian Nations
ATP	Agreement on the international carriage of perishable foodstuffs

- C -

CABEI	
Central American Bank of Economic Integration	
CCT	
Common Customs Tariff	

CERN

European Organization for Nuclear Research

CIC

Committee on Industrial Cooperation

CID

Centre for Industrial Development

CIEC

Conference on International Economic Cooperation

cif

cost-insurance-freight

CMEA

Council for Mutual Economic Assistance

COST

European Cooperation in the Field of Scientific and Technical Research

CREST

Scientific and Technical Research Committee (STRC)

CSCE

Conference on Security and Cooperation in Europe

- E -

EAEC

European Atomic Energy Community

EAGGF

European Agricultural Guidance and
Guarantee Fund

ECE

Economic Commission for Europe

ECMT

European Conference of Ministers for
Transport

ECSC

European Coal and Steel Community

EDF

European Development Fund

EEC

European Economic Community

EIB

European Investment Bank

ESA

European Space Agency

ESC

Economic and Social Committee

EUC

European unit of account

- F -

FAO

Food and Agriculture Organization of the
United Nations

FOD

French overseas departments

- G -

GATT

General Agreement on Tariffs and Trade

- H -

HFR

High-flux reactor

- I -

IBRD

International Bank for Reconstruction
and Development (World Bank)

ICRC

International Committee of the Red
Cross

ICRISAT

International Crops Research Institute
for the Semi-Arid Tropics

IEA

International Energy Agency

INCAP

Institute of Nutrition of Central America
and Panama

INFCE(P)

International Fuel Cycle Evaluation (Pro-
gramme)

IRRI

International Rice Research Institute

- J -

JET
Joint European Torus

JRC
Joint Research Centre

- Q -

Quality wines p.s.r.
Quality wines produced in specified regions

- M -

MSP
Minimum safeguard price

- N -

NGO
Non-governmental organization

NIMEXE
Nomenclature of Goods for the External Trade Statistics of the Community and Statistics of Trade between Member States

RUE

Rational use of energy

- S -

STABEX

Stabilization of export earnings

- T -

TAC

Total allowable catch

- U -

- O -

OCT
Overseas countries and territories

OECD
Organization for Economic Cooperation and Development

u.a.

Unit of account

UAA

Utilized agricultural area

UN

United Nations

UNCTAD

United Nations Conference on Trade and Development

- P -

PCT
Patent Cooperation Treaty

UNEP

United Nations Environment Programme

UNHCR

- V -

Office of the United Nations High Commissioner for Refugees

VAT

UNICEF

Value added tax

United Nations Children's Fund

- W -

UNRWA

WFP

United Nations Relief and Works Agency
(for Palestine Refugees in the Near East)

World Food Programme

USSR

WIPO

Union of Soviet Socialist Republics

World Intellectual Property Organization

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European Communities – Council.

Twenty-fifth Review of the Council's Work
1 January–31 December 1977

Luxembourg: Office for Official Publications
of the European Communities

1978 – 278 pp. – 14.8 × 21 cm

DA, DE, EN, FR, IT, NL

ISBN 92-824-0014-X

Catalogue number: BX-24-78-516-EN-C

Price:

BFR	200	DKR	34,80	DM	12,70	FF	27,60
LIT	5 300	HFL	13,80	UKL	3.30	USD	6.20

The annual review of the work of the Council of the European Communities examines the different subjects which fell within the Council's scope during the year concerned.