

Twentieth
REVIEW
of the
COUNCIL'S WORK

1 January
31 December 1972

**GENERAL SECRETARIAT OF THE COUNCIL
OF THE EUROPEAN COMMUNITIES**

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INTRODUCTION

to the 20th Review
(1 January — 31 December 1972)

The year 1972, which heralded the enlargement of the Community and the strengthening of the ties within it, spanned the period between the signing of the Acts of Accession by the new Members on 22 January and the meeting of the Heads of State and Government in October. It was thus a most fruitful year for Europe and will remain a landmark in its history. Although from a legal point of view it marked the end of the era of the Six, politically it may be seen as the beginning of the era of the Nine. In fact, the procedure laid down for the interim period preceding formal accession enabled the three acceding countries, the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland, to participate in the Community's activities either by issuing requests for consultation before the Council took a particular decision, or by attending meetings as observers. Moreover, the recommendations made by the Heads of State and Government at their meeting in Paris from 19—21 October gave renewed impetus to the building of Europe, and not only injected fresh vigour into the work already started, but also broadened the field of Community activities.

As an immediate outcome of the accession of the three new Member States¹, agreements were made on 22 July with each of the other EFTA countries which had not applied for membership. These were Austria, Finland, Iceland, Portugal, Sweden and Switzerland. Additional agreements were signed with Liechtenstein.

The bilateral nature of these agreements, which were based on the principle of free trade in industrial goods, enabled the individual needs of the countries concerned to be catered for as fully as possible.

¹ Norway, of course had to withdraw its candidature following its referendum on 25 September.

Enlargement also raised the problem of including the new Member States in agreements already reached between the Community and various Mediterranean countries. The work of adapting the agreements to meet the new situation revealed the need of an overall approach in Community relations with the Mediterranean countries, such an approach having moreover been advocated at the Summit Conference. Meanwhile, before this overall approach could be adopted in practice, additional protocols were drawn up to settle a number of problems connected with the adjusting of existing agreements with Spain and Israel, and also with Morocco and Tunisia. Negotiations with Greece and Turkey were also begun afresh.

While still on the subject of external relations, the Council drew up the guidelines to be followed by the Community in examining the Treaty of Accession with reference to GATT, and discussed problems connected with renegotiation as referred to in Article XXIV.

Finally, the Community signed preferential Trade Agreements with the Republic of Egypt and the Lebanon on 18 December, and with Cyprus on 19 December.

As regards the Community's relations with Associated States, 1972 saw the signing on 12 May in Port-Louis, of the Association Agreement including Mauritius under the Convention of Association which the EEC and the Associated African States and Malagasy signed in 1969 at Yaoundé. Mauritius thus became the Community's 19th Associated State.

The Council, in organizing the Association Agreements, defined the position of the Community as a whole with regard to the Association's institutions, in particular at the second session of the Council for Association between the EEC and East Africa in Nairobi on 21 February 1972 and at the 13th session of the Council for Association between the EEC and the AAME in Luxembourg on 10 October 1972.

In the economic and financial spheres, the Council adopted, in March, a Resolution relating to the application of the Resolution of 22 March 1971 on the gradual achievement of economic and monetary union. The new Resolution makes special provision for measures to improve coordination between the Member States' short-term economic policies, and sets up a 'Coordinating Committee on short-term economic and financial policies'. As far as regional and structural development are concerned, it is planned to use the EAGGF in regional development alongside the Regional Development Fund, which is also being set up.

The Council, wishing to create a distinctive form of monetary zone within the international framework, also asked the Member States' central banks gradually to reduce the discrepancies between the exchange rates in the Member States and to intervene on the exchange market to ensure that the narrower intra-Community margin was observed than was the case in the world generally, thus referring to the 'snake in the tunnel' approach.

The Council was once again involved in the battle against inflation and adopted a Resolution for overall Community action to stem the excessive inflationary tendencies which marked the economic development of the Member States during 1972. This will need to rely for support both on national policies coordinated at Community level, and on the common Community policies. At national level, the governments' anti-inflation activities must be based on their prices and incomes policies, their employment policies, as well as on monetary and budgetary policies. As far as the Community as a whole is concerned, the Council should be in a position to make some reductions in customs duties and to carry out other methods affecting trade, for example to introduce quantitative restrictions or apply general preferences. It is also planned to intensify the Commission's activities regarding restrictions to competition. Finally, the Council will have to be active in the harmonization of national legislations.

The Council furthermore adopted a Directive on the organization of coordinated statistical surveys on the economy covering industry, including the craft industries, so as to have at its disposal the statistical data needed to assess economic trends in the Community. A further directive provides for the organization of yearly coordinated surveys on industrial activity.

During the year under review the Council also had to deal with the problems brought about both by the British Government's decision, in June, to float the pound, and by the floating of the Italian lire.

As the monetary situation has considerable bearing on the working of the Common Agricultural Policy, the Council decided, as early as March 1972, to introduce a number of measures to avert any harmful effects which may result. At the same time it decided that the amounts of compensation would be included under the Community's financing arrangements for the Common Agricultural Policy. This was to take effect on 1 July 1972 in the case of intra-Community trade, and on 1 January 1973 in the case of trade with non-Member countries.

The Council's activities in the agricultural field were marked by further marathon sessions, the most important of which took place from 13—15 and from 20—24 March. This saw the adoption of the first common provisions for agricultural reform and the fixing of the prices of agricultural produce for 1972—1973. In April, it formally adopted a set of measures aimed at modernizing agricultural undertakings, encouraging certain farmers to cease their agricultural activities so as to enable the land thus made available to be used for improving the structure of agriculture, and finally at promoting the system of information in the social and economic fields and improving qualifications of those employed in agriculture.

In the field of the common organization of the market, the Council drew up further basic provisions in various sectors and amended a number of basic Regulations following the Accession of the new Member Countries. It also issued a Regulation on imports into the United Kingdom of New Zealand butter and cheese, and drew up various Regulations on fishing.

Finally, the Council decided to set up a Standing Committee on agricultural statistics to ensure that the Member States' agricultural statistics are better coordinated with those of the Commission.

In regional development, the Council examined a number of proposed regulations, submitted to it by the Commission in May 1971, on rules for the operation of the European Regional Development Fund and the financing, through the European Agricultural Guidance and Guarantee Fund, of projects included under the development schemes for the priority agricultural regions. A very wide number of technical problems were solved as a result of work carried out in this area. However, although 1972 saw the outlining of a compromise solution to problems connected with the system of granting Community aid, not all these difficulties could be overcome during that year.

In the social field, the Council showed special concern for the employment policy, and began examination of a report on employment and unemployment among young people, on which question the Standing Committee on employment will be issuing a statement. Moreover the Council of the Governments of the Member States, following its meeting with the Council of Europe, reached a number of conclusions on the steps to be taken to eliminate the structural imbalances in the field of Employment, to bring about the gradual integration of the Member States' labour markets and to encourage the occupational and geographical mobility of Community workers.

In the same field the Council issued a Regulation providing for a survey into the labour forces in the six original Member States and Great Britain, as well as a survey dealing specifically with vocational training in the six original countries. The free movement of workers was the subject of a proposed survey into the living and working conditions of foreign workers in the Community, and various implementing Regulations were drawn up on social security and migrant workers.

Mention should also be made of the Decisions on the use of the European Social Fund to ease the employment situation and encourage occupational mobility in agriculture and the textile industry, as well as various opinions expressed on the granting of aid for industrial redevelopment by the ECSC. To conclude this brief outline of the Council's activities in the social field in 1972, the Council also devoted attention during that year to the problem of mass dismissals, to the implementation of a common policy for vocational training, and finally to the measures to be taken in the field of social security.

The implementation of a common transport policy was the topic under discussion at several sessions. The Council issued a draft Directive on the harmonization of the weights and dimensions of commercial road vehicles, the examination of which is planned to continue in 1973.

On 28 February 1972, the Council adopted two Regulations amending Regulation (EEC) No 543/69 on the harmonization of certain social provisions in the field of road transport, and two Regulations laying down common rules affecting bus and coach services between the Member States. Towards the end of the year the Council adopted a Decision on an agreement to implement rules on the temporary laying up of vessels used for the transport of goods, as well as a Regulation on the system of bracket rates applied in the field of the transport of goods by road.

The measures taken by the Council in the field of common regulations and as part of the technical adjustment of Community rules to conditions in the enlarged Community included Directives on aids for ship building, turnover and excise duty applied in the sphere of international travel and on taxes to be borne by the consumer on manufactured tobaccos.

During 1972 the Council also took a number of measures relating to the harmonization of customs legislation and the elimination of technical obstacles in various sectors. In addition, it adopted a Directive on third-party insurance for motorized road traffic.

As part of its work of preparing a common energy policy, the Council adopted two Regulations for the purpose of gathering certain information on hydrocarbon imports on the one hand, and on investment schemes of interest to the Community in the oil, natural gas and electricity sectors on the other. The Council furthermore adopted a Directive on the maintenance of a minimum amount of stocks of crude oil and/or of oil-based products.

The Council also devoted its attention to the matter of Community aid for coking coal and coke intended for use by the Community's iron and steel industry, and issued statements concerning aid for certain investment schemes.

The question of the long-term supply of enriched uranium was also examined in depth, as it will be in 1973. The Council moreover authorized the Commission to sign with the Government of the United States, an Amendment to the Additional Agreement for Cooperation of 11 June 1960, for the purpose of improving the conditions governing the supply of enriched uranium from the United States.

Finally, the Council adopted a draft verification agreement with the International Atomic Energy Agency.

In the fields of technology and scientific research, the Council laid the foundations of a common policy which was in accordance with the recommendations made at the Paris Summit Conference. Work on this is still going on.

It should also be mentioned that the Dragon Agreement (on the high-temperature gas-cooled reactor project) was extended.

1972 also saw the implementation in the Council of a programme of environmental activities. This is based on two communications from the Commission and on a memorandum from the French Government. An 'Environment' Working Party was set up by the Council to prepare a programme of activities in this area.

On 19 April 1972 the Convention setting up the European University Institution was signed in Florence.

Finally, work was carried out towards strengthening cooperation between the Council and the European Parliament. Two procedures

were adopted for collaboration in the making of budgetary arrangements and in the reviewing of Community acts which have financial implications.

The Secretary-General of the Council accepts no liability for this Review which, like those preceding it, is prepared for documentation purposes.

CHAPTER I

FREE MOVEMENT AND COMMON REGULATIONS

A — Customs Union, free movement of goods

COMMON CUSTOMS TARIFF

1. The Council has adopted three Regulations modifying the Common Customs Tariff, eight Regulations temporarily suspending the autonomous duties in the Common Customs Tariff on certain goods and 20 Regulations on the opening, allocation and administration of Community Tariff quotas for certain products or increasing quotas opened in 1971.

B — Right of establishment and freedom to provide services

2. During the period under review the Council has finally adopted only one Directive. This is due to the fact that because of the forthcoming accession of the new Member States, Directives have been adopted in two stages, viz. agreement on a 'common approach' and consultation with Acceding States. While a common approach has been possible on several Directives concerning the right of establishment and freedom to provide services, it has only been possible to complete consultations on one Directive, of a purely formal nature, since the matter was basically covered by Directives already adopted and therefore forming part of the secondary legislation. The other requests for consultation (particularly in banking, insurance and other sectors) raised many problems since the Acceding States were being suddenly faced with some difficult questions on which the Commission and more recently the Council had had to work for several years, and which required some further amendments before they could be applicable to the Acceding States.

3. On 26 July 1972 the Council adopted a Directive concerning the details of publication of notices of public works contracts and concessions in the Official Journal of the European Communities. One of its aims is to simplify the publication of these notices — which is done at the expense of the Communities — by laying down a standard and logical layout for them. It also allows the Member States to provide all the essential details for each contract as concisely as possible and ensures that in practice all the contractors in the Communities are on the same footing. The conditions for this have been defined basically in the two Directives concerning public works contracts which have already been adopted.

4. The six Member States were able to agree on a common approach to eight Directives. These concern insurance, banks and other finance establishments, activities concerning toxic products, certain miscellaneous activities and the movement and residence of nationals of the Member States within the Community. Unfortunately it was not possible to finalize this important matter and adopt the Directives, although these had been submitted to Member States for consultation on 5 September 1972 (insurance) and 29 November (remaining Directives), since it was impossible to complete consultations by the end of 1972.

The first Directive, coordinating laws, Regulations and administrative provisions concerning the right to engage in the business of direct insurance, other than life insurance, and the Directive removing restrictions in this sector, constitute the first step towards harmonizing legislation on the various types of insurance. This work of coordination will eventually result in a complete set of Community Regulations and prepare the way for a Common Market in insurance.

The Directive removing restrictions on freedom of establishment and freedom to provide banking and other financial services on the part of self-employed persons is the first step towards relaxing restrictions on banking activities. For the time being the Council has found it necessary to confine this relaxation to a carefully prepared list of activities, in accordance with the Monetary Committee's suggestion. This list will be completed as restrictions on the movement of capital are removed.

The Directive giving self-employed persons and intermediaries the freedom of establishment and freedom to provide trading and distributive services for toxic products is designed to make good the omissions on this point of the Directives concerning wholesale trade,

retail trade and the activities of intermediaries in commerce, industry and small craft industries.¹ Another Directive is coupled with this one concerning transitional measures. This has a wider scope since it also includes the commercial use of these products.

Mutatis mutandis, restrictions on a series of activities which are not covered by those Directives which are specific to certain broad sectors of business activity will have to be lifted by the Directive concerning the attainment of freedom of establishment and freedom to provide services in respect of various activities of self-employed persons (e.g. ISIC classes 01 to 85), which is also coupled to a Directive concerning transitional measures.

Finally the Directive on the abolition of restrictions on movement and residence within the Community or nationals of Member States with regard to establishment and the provision of services is designed to replace Directive No 64/220/EEC of 25th February 1964 by amending it in favour of the interested parties.

5. No common approach has been agreed in the field of the liberal professions. Attention has been focused on the Directives concerning doctors' activities and the Council has tried to establish general standards applicable to all the liberal professions when dealing with the Directives.

Some questions of principle still have to be resolved concerning pharmacists and technically trained people, such as architects and engineers. Finally the Council has begun to examine the proposed Directive abolishing restrictions on the provision of certain legal services.

In addition, the Council has examined a large number of Directives in the field of itinerant occupations (Directive abolishing restrictions on activities of itinerant self-employed persons), monopoly activities, tobacco and salt (Directive abolishing restrictions on various activities of self-employed persons in ISIC classes 22 and 61), passenger and goods transport by road and inland waterway (Directive concerning the attainment of freedom of establishment), and cinematography (Directive on coordination and Directive concerning the attainment of freedom to provide services in respect of film distribution).

¹ Directives Nos 64/223/EEC, 68/363/EEC and 64/224/EEC

Finally the Council has examined the second Directive, on company law, which aims to coordinate and eventually to make equivalent, the safeguards which are required in the Member States from companies within the meaning of Article 58, paragraph 2 of the Treaty, to protect the interests of members and others in matters concerning the formation of a limited company, the maintenance of its capital and any changes in its capital. This Directive is one of several Directives on company law, the first of which has already been adopted.¹

C — Joint rules

1. RULES OF COMPETITION

(a) Rules applicable to enterprises

6. On 19 December 1972 the Council adopted a Regulation amending the EEC Regulation No 2821/71 on the application of Article 85, paragraph 3 of the Treaty to categories of Agreements, Decisions and concerted practices. This was one of the technical amendments to the Community Regulations on the conditions for the enlarged Community which still remain to be formulated.

7. On 23 December 1970 the Commission introduced a request for consultation with the Council, under Article 60, paragraph 1 of the ECSC Treaty, on a Commission Decision seeking to define unilaterally the extent to which discriminatory practices as mentioned in Article 60, paragraph 1 should be prohibited without being directly related to the obligation to publish prices. This Decision was intended to amend Decision No 30/53 by abolishing the connection which this Decision made between the prohibition of discriminatory practices and the obligation to publish prices, in order to define the application of different conditions of sale to comparable transactions, and thus to enable enterprises to adapt to market conditions more easily. The Council agreed with the arguments put forward by the experts during the preparatory work and granted the consultation in its 207th meeting on 26/27 September 1972.

8. In addition, in order to avoid severe increases in the expenses of Community coal and iron and steel enterprises when changing their price lists, the Commission submitted a request for consultation

¹ Directive No 68/151/EEC of 9 March 1968

to the Council on 22 September 1972 in accordance with Article 50, paragraph 2 of the ECSC Treaty, concerning a draft Commission Decision amending Decision No 2-52 of 23 December 1952, fixing basic rates and the imposition of the levies provided for in Articles 49 and 50 of the Treaty. The Council granted this consultation in its 217th meeting of 5 December 1972.

(b) Aid granted by the States

9. On 20 July 1972 the Council issued a Directive concerning grants for shipbuilding, which followed a first Directive on this subject which became invalid on 30 June 1972. Under the new Directive, grants up to certain ceilings may be allocated for the construction and sale of vessels of a minimum tonnage (150 tonnes gross registered tonnage). Waivers regarding the ceilings and tonnage limits are provided for in order to take account of special conditions in certain States. The Directive is valid until 31 December 1973.

2. FISCAL PROVISIONS AND STANDARDIZATION

10. On 12 June 1972 the Council adopted the second Directive on the harmonization of provisions laid down by law, Regulation or administrative action relating to the rules governing turnover tax and excise duty applicable in international travel. This Directive increased the general exemption granted to travellers between the Member States from 75 to 125 units of account. The duty free allowance on products, generally speaking, was increased by 50% on the understanding that allowances could be reduced for seasonal workers. The new general and quantitative allowances came into force on 1 July 1972. The provisions remitting taxes will come into force on 1 January 1973 at the latest. In addition on 4 July 1972 the Council adopted the fifth Directive on the harmonization of laws in Member States relating to turnover tax — introduction of Value Added Tax in Italy. Under this Directive the Italian Republic is authorized to postpone the effective introduction of the common value added tax system for six months, i.e. until 1 January 1973. Lastly, in its meeting of 18/19 December 1972 the Council adopted the first Directive concerning taxes other than turnover tax on the consumption of manufactured tobaccos. The purpose of this Directive is to eliminate any disturbance of competition in the sector of manufactured tobaccos by harmonizing tax regulations within the Community and making it easier for countries to penetrate each other's markets. This Directive thus forms part of the work to be undertaken in accordance with the Resolution of the Council and Government Representatives of the Member States on

22 March 1972 concerning the progressive attainment of economic and monetary union. Part 1 of the Directive contains general principles on harmonizing the scales of excise duty applicable to manufactured tobaccos in the Member States. Part 2 contains specific criteria applicable during the first stage of the harmonization process. This first stage is intended to cover the period from 1 July 1973 to 30 June 1975. The Council is expected to adopt a second Directive in this field before 1 July 1974 establishing specific criteria for the next stage. The United Kingdom and Eire will not implement the Directive's provisions until 1 January 1978.

3. STANDARDIZATION OF LAWS

(a) Harmonization of customs laws

11. On 24 April 1972 the Council adopted a Regulation relating to the harmonized nomenclature for the foreign trade statistics of the EEC countries (NIMEX); on 27 June 1972 a Directive amending Article 31 of the Directive of 4 March 1969 on the harmonization of provisions laid down by law, regulation or administrative procedure in respect of inward processing; on 19 December 1972 a Regulation amending Article 1 of Regulation (EEC) No 542/69 relating to Community transit; a Regulation modifying Article 52 of Regulation (EEC) No 542/69 relating to Community transit; as one of the technical amendments to Community Regulations on conditions of the enlarged Community, it adopted a Regulation modifying Regulation (EEC) No 1496/68 of the Council relating to the definition of customs territory in the Community.

(b) Removal of technical obstacles to trade

12. As part of the general programme to remove technical obstacles to trade in industrial products the Council has adopted three Directives, viz.:

- (i) In the field of motor vehicles: on 20 June 1972, the Directive concerning the standardization of laws of Member States relating to the suppression of radio-electrical interference produced by internal combustion engines in motor vehicles; on 2 August 1972, the Directive concerning standardization of laws of Member States relating to measures to control emissions of pollutants from diesel engines for propelling vehicles.
- (ii) In the field of textiles: on 17 July 1972, the Directive concerning the standardization of laws of Member States relating to certain methods of quantitative analysis of blends containing two textile fibres.

13. In its meeting on 18/19 December 1972 the Council approved 12 Directives, thus bringing the number of Directives already adopted or approved in this field to 35. These 12 Directives concerned: electrical apparatus for use in certain voltage ranges (low voltage) i.e. all electrical apparatus and accessories in current domestic and industrial use; this Directive laid down that any article manufactured in accordance with the harmonized standards must be accepted for use in all the Community countries; detergents and methods of checking the biodegradability of anionic surface active agents. These two Directives, whose importance to environmental protection should be emphasized, set out the principle of increasing the biodegradability of detergents to an average 90% throughout the Community; the approval of wheeled agricultural or forestry tractors; maximum speed according to construction and loading platforms for wheeled agricultural or forestry tractors and certain parts and properties of wheeled agricultural or forestry tractors. These three Directives represent a first attempt to codify this sector. The Directive concerning the approval of tractors outlines the framework of Community action in the same way as the Directive on 'approval of motor vehicles' adopted in 1969; the classification, packing and labelling of dangerous substances and the classification, packing and labelling of dangerous preparations (solvents). The first of these Directives, which deals with 'substances', amends the Directive adopted in 1967 to take account of recent scientific and technical progress, the second concerns 'solvents'. In particular they give the packing and labelling regulations which are compulsory for these products and the warning formula which should also appear, since particular attention should be given to these in view of the risks surrounding the transport, storage and use of these goods; the certification and marking of cables, chains and hooks. This Directive is also concerned with provisions on labelling, and was the first concerning the sector on hoisting equipment to be approved; non-automatic weighing apparatus and concrete measurement of length. These two Directives come into the category of those on 'measuring instruments'; quantitative analysis of three-fibre textile mixtures, extending the scope of the existing Directives on the textiles sector and supplementing them. The Council's approval of these 12 Directives constitutes an important step towards the creation of a common market. The sectors concerned together represent a turnover of over ten thousand million units of account (500 000 000 000 BFRs). The Council also adopted on 19 December 1972 a Directive amending Directive No 71/316/EEC on the standardization of the laws of the Member States relating to common provisions for measuring instruments and methods of metrological control. This was one of the technical amendments to the Community Regulations on the conditions for the enlarged Community which still remain to be formulated.

(c) *Standardization of other economic laws*

14. On 24 April 1972 the Council approved the Directive on the standardization of the laws of Member States relating to insurance against civil liability in respect of the use of motor vehicles, and to the inspection of the obligation to insure against such liability. In particular this Directive stipulates that no Member State shall check insurance against civil liability in respect of vehicles which are normally kept in another Member State (abolition of inspection of the green card within the Community). This exemption will also apply to vehicles from other countries travelling between two Community Member States, but on the understanding that for vehicles entering the Community there may be spot checks on the green card. As a technical amendment to Community Regulations on conditions of the enlarged Community the Council also adopted, on 19 December 1972, a Directive amending that of 24 April 1972.

(d) *Industrial property (European patent)*

15. During the period under reference the inter-governmental Conference for the constitution of a European system for issuing patents held two meetings. At the fifth meeting (from 24 January to 4 February 1972), when the principality of Liechtenstein became the 20th country to be admitted to the Conference, interested parties in the States represented were consulted on the second preliminary draft convention establishing a European system for issuing patents and appended documents published in 1971. In the 6th meeting (from 19 to 30 June 1972), at which Finland became the twenty-first country to be admitted, the Conference brought its work to a close by adopting a series of texts in draft form, viz., a draft Convention introducing a European system for issuing patents, a draft Regulation for implementing this Convention, several draft protocols relating to specific problems and a draft Regulation relating to taxes. At the end of 1972, when the Government of the German Federal Republic submitted these drafts, it invited the States present at the Conference to a diplomatic Conference to institute a European system of issuing patents, which would be held in Munich from 10 September to 6 October 1973.

16. While the work mentioned in the previous paragraph was going on, the Member States of the European Economic Community continued their work on a Community patent system. At their meeting on 2—4 May 1972, the team of experts on Community patents consulted with the interested parties in the Member States of the EEC on the subject of the second rough draft of the Convention relating to European

patents for the Common Market and the appended documents, which were published in 1971. At the next meeting (on 16—27 October 1972), the team of experts discussed the outcome of their talks with the interested parties and also examined the comments which had been submitted meanwhile by the delegations from the three Acceding States concerning the second rough draft of the Convention and the appended documents. This team should complete its work by the end of the first quarter of 1973 and present a report to the Committee of the Permanent Representatives.

D — Transport

1. ORGANIZATION OF GOODS TRANSPORT BY INLAND WATERWAY

17. In a Resolution dated 27 January 1970, the Council stressed the importance it attached to goods transport by inland waterway and declared itself in favour of introducing a temporary laying-up system for boats.

18. After considerable preparatory work, the Council, on 28 December 1972, adopted a Decision proposed by the Commission on the introduction of an agreement to bring regulations into force concerning the temporary laying-up of vessels used for goods transport, applicable to certain inland waterways. By means of this Decision, the Council authorized the Commission to open negotiations with Switzerland on behalf of the Community with the object of concluding the abovementioned agreement and laid down some Directives for the negotiations. The Contracting Parties to the revised Convention for the navigation of the Rhine and the Convention on the canalization of the Moselle and the European Economic Community were invited to take part in the negotiations and the conclusion of this agreement. The proposed Regulations would apply to the inland waterways coming under the system laid down in these two Conventions. Depending on what amendments proved necessary these Regulations could also be extended to the areas which were closely connected to the Rhine, both from the technical viewpoint of navigation and also for economic reasons. Their purpose would be to reduce the temporary imbalances between supply and demand of cargo capacity which might occur and which could cause severe disruption in the trade. An immobilization fund would be set up which would be financed by compulsory contributions from the boatmen using these inland waterways and would be used to reimburse boatmen who laid up their vessels voluntarily during periods of spare cargo capacity.

2. ORGANIZATION OF ROAD HAULAGE BUSINESS

(a) *Tariff Regulations*

19. On 28 December 1972 the Council issued a Regulation¹ postponing Regulation No 1174/68 for two years, until 31 December 1974, and amending certain details in this Regulation which concerns the introduction of a system of bracket tariffs for the carriage of goods by road between Member States. This new Regulation also lays down the deadlines for the establishment of tariffs which are of direct interest to the new Member States. A Working Party has also been given the task of examining, by 30 June 1973, questions relating to conditions of recourse to special contracts and publication procedures, to enable the Commission to submit a proposal on this subject during September and to enable the Council to give an Opinion before 31 December 1973.

(b) *Community quota*

20. On 15 May 1972 the Commission submitted a proposal to the Council for the introduction of an overall system for the control of road haulage capacity between Member States. On examining this proposal it appeared that a finalized system could not be set up much before 31 December 1972, on which date Regulation No 1018/68, concerning the determination of a Community quota for the carriage of goods by road between Member States, expires. In order to be in a position to give a ruling, when required, and with account taken of the experience acquired on the system eventually to be applied, the Council, in a Regulation of 28 December 1972,² extended the Community quota system for a further two years. The quota, which was fixed at 1 200 authorizations, will be increased by 15% on 1 April 1973 and again by 15% on 1 January 1974 giving 1 584 and 1 792 authorizations respectively. The distribution of these among the original Member Countries has also been amended in certain respects. A Working Party has also been given the task of examining the data on which the quotas for the new Member States have been based, with particular reference to the increase in registered traffic since 1969 between these Member States and the original Member States. At the Commission's proposal the Council agreed to decide before 31 March 1973 whether the number of authorizations allocated to the new Member States should be amended.

¹ Regulation (EEC) No 2826/72 of the Council of 28. 12. 1972, OJ No L 298 of 31. 12. 1972

² Regulation (EEC) No 2829/72 of the Council of 28. 12. 1972

(c) Regular and shuttle services

21. On 28 February 1972 the Council formally adopted two Regulations¹ on the introduction of common rules for shuttle services by coach between Member States and for regular coach and bus services between Member States respectively.

(d) Engagement in the occupation of road haulier

22. During the period under review the Council has continued to examine the Commission's proposal relating to engagement in the occupation of road haulier.

3. WEIGHT AND SIZE OF COMMERCIAL ROAD VEHICLES

23. During 1972 the Council devoted a good deal of attention to the problem of harmonizing the weight and size of road haulage vehicles. At its meeting of 17/18 May the Council adopted a general point of view on the main features to be covered by provisions relating to the weight and size of commercial road vehicles, although it postponed taking a final decision until after consultations with Member Countries. This general view defines the maximum single axle weight as 11 tons and the total load of the vehicle as a whole as 40 tons, while allowing certain exceptions on various points. It also defines the size of the vehicles, their specific engine power and the deadlines for implementation.

At its meeting on 18/19 December 1972 the Council drew up a draft Directive on this basis which sets out the joint position of the original Member Countries of the Community. However, this statement and the draft have given rise to reservations made by the Member States which were expressed at meetings at ministerial level on 6/7 November and 18/19 December 1972 on the subject of maximum single axle weight and total load for vehicle assemblies. During 1973 the Council will continue its efforts to harmonize the weight and size of commercial road vehicles.

4. AMENDMENT OF NATIONAL VEHICLE TAXATION SYSTEMS AND APPLICATION OF A TARIFF FOR THE USE OF THE INFRASTRUCTURES

24. On the basis of policies defined by the Council on 3 December 1972 the Council has examined the Commission's proposed Directive on the amendment of national systems of taxation on commercial road

¹ Regulations (EEC) No 516/72 and 517/72 of the Council of 28. 2. 1972, OJ No L 67 of 20. 3. 1972.

vehicles. On 12 December 1972, in reply to a verbal question, the President of the Council addressed the Assembly on the progress already made and future plans in this field. In connection with the introduction of a system of tariffs for using the infrastructures, the Council invited the Member States to undertake studies, which are now in progress, of the effects on the state of railway, road and inland waterway transport of the progressive measures to introduce a tariff system for using the infrastructures. Meanwhile, at the Council's own request, its staff are examining other problems in this field, but not connected with these studies, on the basis of the Commission memorandum relating to the introduction of a tariff system for using the infrastructures.

5. HARMONIZATION OF SOCIAL LEGISLATION RELATING TO ROAD TRANSPORT

25. On 28 February 1972¹ the Council formally adopted two Regulations amending certain provisions of Regulation (EEC) No 543/69 on the harmonization of social legislation relating to road transport. The first of these is concerned with bringing Regulation No 543/69 into line with the AETR (European Agreement on Work Performed by Crews and Vehicles Engaged in International Road Transport Operations, concluded within the framework of the ECE in Geneva) and the second particularly concerns short hauls. At its meeting of 18 December 1972 the Council also noted a statement from the Commission concerning the implementation of Regulation No 543/69.

6. RAILWAY POLICY

(a) Cooperation between railway enterprises

26. In its Resolution of 7 December 1970 on cooperation between railway enterprises, the Council had invited the Community railway enterprises to submit a joint annual report on their progress in cooperation. The European Community Railways Committee submitted its first Report on 8 October 1971. At its meeting on 17/18 May 1972 the Council recorded its approval in its reply to the Railways Committee and made certain suggestions and observations. At its meeting on 6/7 November 1972, the Council examined the second Report, which the Railways Committee had submitted on 14 October 1972.

¹ Regulations No 514/72 and 515/72 of 28 February 1972, OJ No L 67 of 20 March 1972

(b) Financial relations between the railway enterprises and the States

27. During 1972 the Council authorities examined the proposed Decision on the financial relations between the railway enterprises and the States submitted by the Commission, in implementation of Article 8 of the Council's Decision of 13 May 1965 on harmonization.

(c) Action by Member States concerning the obligations inherent in the concept of a public service

28. On 6 November 1972¹ the Council adopted a Decision authorizing the Italian Government to extend certain time limits laid down in Articles 6 and 9 of Regulation (EEC) No 1191/69 on action by Member States concerning the obligations inherent in the concept of a public service in transport by rail, road and inland waterway.

7. OTHER MATTERS

29. At its meeting on 17/18 May 1972 the Council agreed to postpone the discussions on the development of a common transport policy which it had initiated in December 1971 on the basis of a Commission memorandum. The Council also noted declarations from the Italian delegation on direct and indirect transport subsidies and the coordination of investments, and a declaration from the Dutch delegation on the connection between transport policy and environmental protection, road safety, the development of infrastructures and maritime ports policy.

30. At its meeting on 18/19 December 1972 the Council noted a report from the Commission on a meeting of representatives from the main ports of the enlarged Community which was held on 21 November 1972.

The Council has continued its work on transport statistics aimed at drawing up a Directive on a census to be made within the framework of regional statistics on the carriage of goods by road within the territory of each Member State.

31. Lastly the Council has forwarded several proposals from the Commission to the Economic and Social Committee and the Assembly

¹ Decision No 72/378/EEC of 6 November 1972, OJ No L 257 of 15 November 1972

for consultation, concerning first steps towards joint action on air transport, harmonization of laws on driving licences and vehicle testing, and harmonization of social legislation concerning road transport.

E — Iron and steel industry

(a) Scrap

32. Throughout 1972 the technical departments of the Council followed the scrap market situation and took the measures necessary to adapt the system for exporting these products to non-Community countries to the market situation. The main overall market features were a surplus at the beginning of the year followed by an increasing tightness in supply as the economic situation in the iron and steel industry improved in the Community and in the market generally. This meant that at the beginning of the year the Council was able to state that the good supply position and the low prices operating on the open scrap market made it necessary to implement the measures adopted at the end of 1971. Consequently, when the Government Representatives of the Member States met in the Council at its 191st meeting (13/15 and 20/22 March 1972) they decided to suspend the general ruling prohibiting the export of scrap to non-Community countries until 30 June 1972 for all categories of scrap. The validity of this measure was extended on 30 June 1972 by written procedure. It was decided that the suspension would remain in force until 31 December 1972 for low quality scrap and until 30 September 1972 only for good quality scrap, since there were signs of recovery in the latter. Nevertheless, a final extension was granted on 29 September 1972 to 31 October 1972. At the same time it was laid down that used scrap metal collected in bulk (on which export restrictions had been relaxed for the period up to 31 December 1972) included scrap metal category 51 (Nimex code No 73.03.59).

When the general temporary concessions on the export of all qualities of scrap metal to non-Community countries were withdrawn, the export facilities which it was usual to grant in certain individual cases had to be expressly reinstated, i.e. rolling mill rolls — reprocessing of scrap under contract. At the 210th meeting of the Council (30/31 October 1972) the Government Representatives of the Member States therefore authorized the Member States to export used rolling mill rolls to third countries up to 31 December 1972 provided that they were a direct consignment of used goods from an

iron and steel works in part exchange for new goods, and not a separate transaction. At the same meeting the Government Representatives of the Member States extended to 31 December 1972 the period of validity for the Decisions taken on 22 November 1971 which under certain conditions allow temporary import and export of scrap covered by the ECSC common customs nomenclature No 73.03.

Since these measures did not apply to alloy steel scrap, the Government Representatives of the Member States agreed at the 199th meeting in the Council (20 June 1972) to extend for one year, i.e. until 30 June 1973, the Decision taken on 14 June 1971 simplifying conditions governing the export of this product.

The Council also commenced the examination of a draft recommendation from the Commission to the Governments of the Member States which it submitted to the Council for consultation on 19 September 1972, in conformity with Article 73, paragraph 2 of the ECSC Treaty, relating to the movement of scrap and similar products within the Community.

(b) *Investments and Grants*

33. In a letter dated 9 March 1972 the Commission, in conformity with Article 55, paragraph 2 (c) of the Treaty establishing the European Coal and Steel Community, requested the Council's assent to allocate sums of money from ECSC levies to grants for the following research programme: steels with high yield points for thick-walled vessels (642 000 u.a.); the use of computers in the management of iron and steel works (600 000 u.a.); deep drawing properties of light-gauge sheets (450 000 u.a.); automation of reheating furnaces with radiant roofs (64 816 u.a.); the use of electrochemical transfer techniques in steel processing (58 334 u.a.); pre-reduction of fluidized iron ores (102 148 u.a.); counter-bending of rolling mill rolls and its use for optimum control of rolling mills (105 866 u.a.).

A similar request was submitted by the Commission on 30 June 1972 for research programmes on: new mining techniques in the iron-ore producing district of East France (144 043 u.a.); the development of a method for mining semi-hard iron ore of oolitic origin (136 612 u.a.); the development of a new mining technology for difficult geological and mining conditions (327 865 u.a.); direct reduction of iron ores, PUROFER, (2 020 219 u.a.); improving the behaviour of blast furnace tuyeres (31 148 u.a.); pig iron for casting (128 113 u.a.); sampling of pig iron and molten steel and its mechanization (58 200 u.a.); the organization of the soaking-slabbing

sequence (270 000 u.a.); automatic process-control by computer (587 557 u.a.); thermomechanical treatment of steel (447 960 u.a.); structural mechanisms (156 000 u.a.); physical metallurgy (72 000 u.a.); creep behaviour of welded joints (420 000 u.a.); cold shaping of steel (113 228 u.a.); the suitability of steels for cold shaping (360 000 u.a.).

The Council gave its assent to the Commission's request at its 194th meeting on 24/25 April 1972 and its 209th meeting on 9/10 October 1972 respectively.

In a letter dated 13 July 1972 the Commission also requested the Council's assent, under Article 55, paragraph 2 c of the ECSC Treaty, to a grant for an international research project on materials for gas turbines. This request from the Commission, which appears in the Cooperation Agreements signed in November 1971 by the 19 member countries of COST (European Cooperation in the field of Scientific and Technical Research), has been examined initially by the Council's technical and legal departments.

CHAPTER II

ECONOMIC, FINANCIAL, REGIONAL AND SOCIAL POLICY

A — Economic and financial problems

34. Although the Decisions on economic and financial policy taken by the Council during 1972 come under the general heading of economic and monetary union in the Community, they have been more immediately concerned with the implementation of the Resolution of 22 March 1971 on the attainment by stages of economic and monetary union within the Community, coordination of Member States' short term economic policies, the problems of the pound sterling and the Italian lira in June 1972, the adoption of an anti-inflation programme and other measures (economic statistics).

1. IMPLEMENTATION OF THE RESOLUTION OF 22 MARCH 1971 ON THE ATTAINMENT BY STAGES OF ECONOMIC AND MONETARY UNION WITHIN THE COMMUNITY

35. At its meeting on 31 January – 1 February 1972 the Council, on the basis of a Commission memorandum on the organization of monetary and financial relations within the Community, made its initial general examination of how the Resolution of 22 March 1971 on the attainment by stages of economic and monetary union within the Community was being implemented. At its meeting on 28 February the Council continued this examination on the basis of an 'overall review', submitted by the Commission, of the conditions necessary for completing the first stage of economic and monetary union. The general guidelines which resulted from these initial exchanges of views within the Council enabled the Commission to put forward a proposal for a 'Resolution of the Council and of the Member States' Representatives on the implementation of the Resolution of 22 March

1971 on the attainment by stages of economic and monetary union within the Community'. The Council, composed of the Finance and Economic Ministers, made a very thorough examination of the proposal on 6 and 7 February and agreed on the text of a Resolution which was formally adopted at the meeting of 21 March 1972.¹

36. Item I of this Resolution lays down specific provisions for improving coordination of the short term economic policies of the Member States. This states that whenever the Member States are considering adopting measures or decisions which deviate from the guidelines for economic policy laid down by the Council they must consult both sides of industry beforehand. To ensure that Member States exchange information on a reciprocal and continuous basis and that they coordinate their economic and financial policies, the Council has set up a 'Committee for the coordination of short term economic and financial policies', composed of a single special representative of the appropriate minister or ministers in each Member State and a Commission representative. Lastly the Commission has been asked to submit as soon as possible a proposal for a Directive to promote stability, growth and full employment in the Community.

37. As for item II of the Resolution, dealing with measures required in the regional and structural field to bring about economic and monetary union on schedule, the Council agreed in principle that:

- (a) the EAGGF could be used from 1972 onward for projects of regional development, and
- (b) a Regional Development Fund should be set up or some other system introduced, using Community resources, suitable for regional development.

38. Item III traces the first steps taken by the Community towards the formation of a separate monetary zone within the international system. In this connection the Council invited the central banks of the Member States to make progressive reductions in the present difference between the highest and the lowest rates of the Member States' currencies, so that by 1 July 1972 by the latest, the maximum permissible margin of fluctuation between Community currencies would be 2.25%. To keep the exchange rates within a narrower intra-Community margin than was permissible on the open market, the Council invited the central banks to intervene in the money market

¹ OJ No C 38/3 of 18. 4. 1972

according to a new procedure, i.e. to use Community currencies to keep them within the reduced margin of 2.25% and to use US dollars to support joint floating by the Community currencies within the limits permitted on the open market (to use the experts' jargon, the Community currencies were to be kept within a 'snake' of 2.25% and the snake was to be prevented from leaving the 'tunnel' of 4.5%, this being the spread of the fluctuation of individual Community currencies against the US dollar). The imbalances resulting from these interventions in Community currencies would be corrected within one month by procedures laid down by the central banks, although the method of correcting these imbalances should take account of the structure of the monetary reserves of the debtor country. Subsequently all these general provisions were included in a technical agreement between the central banks who agreed to put the Council's Decisions on monetary matters into force with effect from 24 April 1972.

Under item III of the Resolution, the Council also decided to adopt the Directive for regulating international capital flows and for neutralizing their undesirable effects on domestic liquidity, which was proposed by the Commission on 23 June 1971.¹

39. Lastly, as regards item IV of the Resolution, the Council agreed that the proposals submitted by the Commission on completion of the first stage of economic and monetary union, and especially the proposals relating to tax harmonization and the progressive development of a European capital market should be given priority on the Council's agenda.

2. COORDINATION OF MEMBER STATES' SHORT-TERM ECONOMIC POLICIES

40. In accordance with its Decision of 22 March 1971 on the strengthening of coordination of short-term economic policies of the Member States of the European Economic Community,² the Council made three special examinations of the economic situation in the Community during 1972.

The Council first examined the problem at its 193rd meeting on 21 March 1972; the aim was to assess the economic policy followed in 1971 and adjust the policy guidelines for 1972 in the Annual

¹ OJ No L 91/3 of 18. 4. 1972

This Directive was examined at the 159th meeting of the Council on 2 July 1971

² OJ No L 73/12 of 27. 3. 1971

Report on the economic situation in the Community ¹ in the light of recent economic developments. The Council also analysed the present economic situation and the future economic prospects in the Community and agreed, with certain amendments, on the guidelines for short-term economic policy given in the memorandum which the Commission submitted to the Council under the terms of Article 2 of the above-mentioned Decision of 22 March 1971.

41. At its 200th meeting on 26 June 1972 the Council examined for the second time the economic situation in the Community on the basis of a memorandum from the Commission to the Council on the economic policy to be followed in 1972 and on the preparation of the published budgets for 1973. The Council adopted the guidelines in the Commission memorandum and also agreed on the guidelines suggested by the Commission at the meeting on trends in budgeted amounts in 1973.

42. The third review was made at the 211th meeting on 30 and 31 October 1972. At this juncture the Council, acting on a proposal from the Commission and after consulting the European Parliament, adopted the Annual Report on the economic situation in the Community,² making it possible to set guidelines to be followed by each Member State in its economic policy for 1973. The Council also decided, in conformity with the procedure laid down by the above-mentioned Decision of 22 March 1971, to send this Report to the Governments of the Member States to enable them to bring it to the attention of their parliaments. The Report was also sent to the Assembly and to the Governments of the Acceding States.

3. PROBLEMS OF THE POUND STERLING AND THE ITALIAN LIRA IN JUNE 1972

43. During June 1972 the European exchange markets experienced fresh monetary pressures. On 23 June the British Government, faced with exceptionally large capital movements, was forced to stop supporting the parity of its currency and decided to float it. Since there was a danger that the British decision would increase existing pressure on the Italian lira, the Italian Government asked the Council for measures to be adopted before the opening of the exchange markets to discourage the speculation which might otherwise have taken place.

¹ OJ No L 253/13 of 16. 11. 71

² OJ No C 133/1 of 23. 12. 72

44. On 26 June 1972, a consultation in Luxembourg, on the monetary situation, was first held with the representatives of the Acceding Countries, at their request. Subsequently the delegates of the six Community Member States met within the Council to examine measures to alleviate the pressure on the Italian lira and also the effect of the current monetary situation on the intra-Community monetary agreements as laid down in the Resolution of 21 March 1972. As a result of these discussions, the Council and the Representatives of the Governments of the Member States agreed to maintain the European Agreement restricting the margins between Community currencies to 2.25%. However, in response to the special situation which had been created on the exchange markets by the United Kingdom's decision to float the pound, the Committee of Governors of the central banks, under the terms of paragraph 2 of item III of the Resolution of 21 March 1972, authorized the Bank of Italy to intervene with dollars so as to keep within the intra-Community margin of 2.25%. The procedure for these interventions, their extent and the conditions attached to them were subsequently laid down by the Committee of the Governors of the central banks.

4. ADOPTION OF AN ANTI-INFLATION PROGRAMME

45. In accordance with the task which the Heads of State or of Government entrusted to the Council at their meeting in Paris on 19–21 October 1972,¹ the enlarged Council adopted on 30 and 31 October a *Resolution on anti-inflation measures*² proposed by the Commission. The purpose of this Resolution is to introduce overall measures on a Community scale against the excessive inflationary tendencies which have been the main feature of the economic trends in Member States during 1972. These measures are general in the sense that they must be based on national policies coordinated at Community level as well as on common policies. The object is to restrict the rate of the rise in consumer prices between December 1972 and the end of 1973 to 4%, not taking into account the consequences of any changes in indirect taxation.

46. The national policies which the Governments must use for their anti-inflation policies are prices and incomes policy, employment policy, monetary policy and the budget.

¹ Cf. item 3 of the chapter on 'Economic and monetary policy' in the declaration adopted by the Conference of the Heads of Government of the European Community Member States or Acceding States (Paris, 19–21 October 1972).

² Cf. OJ No C 133/12

The prices and incomes policy aims to slow down the nominal growth of wages and capital as part of a concerted effort with both sides of industry. The object is to protect the purchasing power of incomes and to share the benefits of expansion fairly between expenditure on general social needs and increased individual incomes. This means that Member States must make use of their control legislation governing price trends in industrial products and services in the light of the state of their respective economies, particularly in order to avoid cumulative increases and to give consumers a share in the benefits of increased productivity in undertakings.

47. The fight against rising prices must be accompanied by a structural policy aimed at reducing the present regional imbalances in the availability of labour and production capacity. With this object in view training and retraining schemes for workers should be set up.

48. The guidelines on monetary policy are directed particularly at reducing the volume of money. In this connection the speed at which the volume of money (monetary and quasi-monetary liquid funds) is expanding must be kept in line with the increase in the gross national product in terms of volume, plus the legislated rate of price increases allowed by the general economic policy. This reduction in the volume of money must be achieved by the end of 1974, at the latest, but those Member States enjoying full employment must make a sizeable reduction in 1973 in the speed of expansion, equal to at least half of the reduction to be achieved at the end of 1974. It is also laid down that the monetary authorities must possess the means necessary to control the monetary situation and to direct the credit policy of finance institutions along the right paths.

Coordinated measures should be taken by the Member States to prevent undesirable inward flows of capital from outside the Common Market by giving more power, if necessary, to the instrument created on 21 March 1972, but without effecting relaxations on current transactions within the Common Market.

49. Lastly, on budgetary policy, the Member States agreed to exercise strict self-discipline as regards government spending for the 1972 and 1973 financial years. In addition the increase in expenditure in real terms in the 1973 budgets should not exceed the rate of growth of gross national product in terms of value. An exception was made for those Member States where there was marked unemployment, allowing them to continue government spending in order to maintain general levels of demand.

50. On the other hand Member States enjoying full employment should follow an even more restrictive policy if, as is expected in the first quarter of 1973, inflationary pressures increase. The possibility was also mentioned that if available credits were used for certain items of expenditure there should be a corresponding reduction on other items in the budget. If the rise in prices resulted in an income from taxes above the figure originally planned, the surplus should be allocated to reducing the net balance to be financed, to reducing indirect taxation, or to frozen accounts with the central bank. Lastly it was recommended that Member States with a debit balance to finance should do so in real terms and not use the money market at all.

51. Besides these policies, which should be introduced by the Member States, the Council also decided to resort to policies which are now Community policies, in order to make a direct contribution to the efforts of the Member States to fight inflation. It therefore agreed on a considerable reduction in customs duty up to 1 April 1973 on the import of meat of bovine animals, calves and young male bovine animals for fattening. Quantity restrictions on imports of potatoes in some Member States have been provisionally suspended. The Council also undertook to examine proposals from the Commission on commercial policy measures relating to quantity restrictions, the application of general preferences and any specific tariff reductions which might help in the fight against inflation.

52. Another item in the Council Resolution provides for the strengthening of measures taken by the Commission regarding restrictions on competition which could arise from price agreements between competitors, agreed practices concerning prices and price discriminations applied by enterprises in a dominant position, or from agreements to split markets and other restrictive practices, or from agreements on voluntary restrictions, to the extent that these conflict with Community commercial policy. The Member States were also called on to apply their own laws on competition strictly.

53. The last item of the Council Resolution concerning Community means concerns the harmonization of national laws with particular reference to relaxing intra-Community trade in foodstuffs and medicinal preparations. The Council will also ensure that public works contracts and concessions are open to competition within the Community, in conformity with the Directive which it has adopted. The Council will take a Decision as soon as possible on the proposed Directive concerning the procedure for awarding public supply contracts.

54. The Resolution also lays down that any measures taken by the Member States' Governments concerning economic, monetary and budgetary policy must be examined and mutually agreed by the specialist Committees, viz., the Committee for coordinating short-term economic policies, the Monetary Committee, the Committee on Economic Policy and the Committee on Budgetary Policy.

Lastly, the Council will examine the results of the present programme of action at its 1973 meetings on the economic situation in the Community, particularly at its June 1973 meeting.

5. OTHER MEASURES

Statistics

55. At its meeting of 29/30 May 1972 the Council adopted the Directive concerning the organization of coordinated statistical surveys on the market situation in industry and craft industries,¹ so as to have available at Community level the statistical data necessary to study market trends in the Community. In addition, on 6 June 1972, the Council adopted a Directive concerning the organization of coordinated annual surveys of industrial activity.² This Directive lays down that data shall be collected annually on a certain number of variables for all industrial enterprises and small businesses employing 20 or more persons whose principal activity is listed in one of the divisions of the Nomenclature of Economic Activities in the European Communities (NACE) for industry.

B — Regional Policy

56. On 21 March 1972, when the Council adopted the Resolution³ relating to the implementation of the Resolution of 22 March 1971⁴ concerning progressive attainment of economic and monetary union, it recorded its agreement in principle that the EAGGF could be used from 1972 onwards for regional development and that a regional development fund should be set up, or that some other system should be introduced to use Community resources suitable for regional

¹ OJ No L 128 of 3. 6. 1972

² OJ No L 133 of 10. 6. 1972

³ OJ No C 38 of 14. 4. 1972

⁴ OJ No C 28 of 27. 3. 1971

development. At that time the Council invited the Commission to submit proposals, and it undertook to take the necessary Decisions on the proposals before 1 October 1972.

57. On 19 June 1972 the Commission submitted a memorandum to the Council accompanied by a proposal for a resolution. In this document the Commission refers to the three proposals already submitted to the Council, viz., a proposed Decision relating to the organization of Community resources for regional development submitted in October 1969,¹ and two Regulations implementing this proposed Decision, submitted in May 1971, one relating to the operating rules for the European regional development fund, and the other concerning the financing by the European Agricultural Guidance and Guarantee Fund of projects falling under the heading of development in priority agricultural regions.² The Commission pointed out that all these proposals were interrelated and formed a coherent whole, and for this reason it considered that the Council should make a Decision on them in their entirety. In the same memorandum the Commission proposed that the Council should give its agreement in principle to the creation, as a supplementary measure, of a regional development company, funded in part by the Community, and with the Community's guarantee for its borrowings to give it easier access to money markets. If the Council agreed to this the Commission would submit formal proposals, within a period to be agreed, giving the practical operating procedures for this company.

58. At its July and September 1972 meetings and Council concentrated on two proposed Regulations submitted by the Commission in May 1971. Solutions were found to a large number of technical problems, but at the same time it appeared that unanimous agreement could not be obtained unless a certain number of political decisions were made on certain basic problems, particularly on the system for granting Community aid.

59. Meanwhile the Conference of Heads of State and of Government which was held in Paris on 19/20 October 1972 had given a high priority to removing the structural and regional imbalances within the Community which might hinder economic and monetary union. The Heads of State and of Government invited the Commission to make an immediate report analysing the regional problems facing the enlarged Community and to submit suitable proposals. They also called on the Community Institutions to set up a regional development fund which would be inaugurated by 31 December 1973.

¹ OJ No C 152 of 28. 11. 1969

² OJ No C 90 of 11. 9. 1971

60. Following the Summit Conference, the Council continued its work at two meetings held on 4/5 and 18/19 December 1972 respectively. A compromise solution was worked out which overcame the problems of finalizing the text of the Regulation on the EAGGF, particularly the problems concerning the system of granting aid. However, the Council was unable to reach unanimous agreement on this solution. For this reason it decided to put the regional problem on the agenda again for one of its forthcoming meetings. It was decided that the same meeting would examine the possibility of drawing up a schedule of work to be done and decisions to be made, taking account of information which the Commission would supply, in order to implement the decisions taken by the Heads of State and of Government at their recent Conference in Paris.

C — Social matters

1. SOCIAL POLICY

(a) *Action programme referred to in item 6 of the final Statement issued by the Conference of Heads of States and of Government on 19 and 20 October 1972*

61. The Council was eager to follow up the impetus given to Community social policy by the Conference of Heads of States and of Government held in Paris from 19 to 20 October 1972, and at its meeting of 9 November 1972 it therefore invited the Commission without delay to draw up a draft for the action programme mentioned in item 6 of the final Statement issued by the Conference, which would take account of the proposals on social matters made at the Conference and at the November meeting. This document should be submitted in good time for initial examination by the Council at a meeting which could be arranged for February 1973.

(b) *Conference to examine the draft action programme mentioned above*

62. At its meeting on 9 November 1972 the Council decided to call a Conference in the Spring of 1973 to examine the draft programme mentioned above, which would be attended by Representatives of the Social Partners' Organizations, the Council, the Representatives of the Government of the Member States and the Commission. Finally, it was decided to hold another meeting before 31 July 1973 at which decisions on this programme could be made.

2. EMPLOYMENT POLICY

(a) *Employment, vocational guidance and training and working conditions for young persons*

63. In accordance with the instructions received from the Council at its meeting on 26 November 1970, the Commission submitted a letter to the Council dated 7 July 1972 containing a report which offered conclusions and suggestions on employment and unemployment of young people. In view of the importance of this problem the Commission considered that the report should be submitted to the Standing Committee on Employment for examination, so that the Commission could finalize it before finally submitting it to the Council. The Standing Committee on Employment was unable to deal with this item at its meeting on 26 October 1972 and had to postpone the examination of the question until another meeting in the near future. However, this item was retained on the agenda for the Council meeting of 9 November 1972, since the Council had insisted on emphasizing the interest which it took in employment problems among young people and on reiterating the high priority which it gave to the examination of these matters. After dealing with this item the Council confirmed that the question would be on the agenda for the next meeting of the Standing Committee on Employment and that the Commission would work out more detailed proposals following the discussion with the Standing Committee.

(b) *Memorandum from the Italian Government on employment policy in the Community*

64. After a discussion within the Standing Committee on Employment on 27 April 1972, the Council of Member States' Governments, meeting in the Council on 12 June 1972, approved a certain number of considerations and conclusions and called on the Commission to submit its proposals without delay on the various measures mentioned in these conclusions. These were chiefly concerned with measures to remove structural imbalances in employment and the progressive integration of Member States' labour markets, as well as encouraging vocational and geographical mobility among workers in the Community. In addition the Commission set up a team of experts to examine problems raised by the Italian Government's memorandum. The team will submit a report on its deliberations to the Commission. The Commission will then draw its conclusions and will be able to submit suggestions to the Council.

(c) *Sample survey on work forces*

65. At its meeting of 19 October 1971, the Council had asked the Commission to prepare a plan on the statistics necessary for a better

knowledge of the labour market and its development. It had also agreed that in 1973 and 1975 a sample survey should be made on work forces in the Member States and that a specific survey on vocational training should be planned as part of the 1973 survey.

66. In a letter dated 7 December 1972 the Commission submitted to the Council a draft Regulation on the organization of the sample survey on work forces in 1973 and a specific survey on vocational training. The Council made a certain number of amendments to the Commission's draft which took account of the special situation in the new Community Member States and the problems which this survey would cause them, and adopted the Regulation on 19 December 1972. The manpower survey will be made in accordance with this Regulation in the six original Member States and in Great Britain, and the specific survey on vocational training in the six original Member States. It was recognized that it was not possible to organize the proposed surveys in Ireland and Denmark at this juncture.

(d) *Proposed Regulation (EEC) of the Council on the drawing up of comparable statistics on foreign labour*

67. The Commission submitted this proposed Regulation on 6 June 1972. At its meeting of 26 and 27 June 1972, the Council decided to consult the Economic and Social Committee and, at its discretion, the Assembly on the proposed Regulation. The Assembly delivered its Opinion on 13 November 1972 and the Economic and Social Committee will do so in February 1973.

(e) *Review of the work of the labour offices in Community Member States*

68. The Commission submitted this review to the Council on 18 October 1972. The Council and the Commission agreed to make use of this important document when examining the Commission's Report on labour problems in the Community (1972), which the Commission intended to submit to the Council at the beginning of 1973.

3. FREE MOVEMENT OF LABOUR

(a) *Survey on living and working conditions of foreign labour in the Community*

69. At its meeting of 9 November 1972, the Council noted that the Commission had submitted a draft survey on living and working

conditions of foreign labour in the Community, in order to establish whether there were any differences in earnings compared with earnings of nationals. The Council did not comment on the various parts of this draft but requested the Commission to gather data, as soon as possible, on the socio-economic position of foreign workers and their families, from Community and non-Community countries, in law and in practice, as compared with nationals. It emphasized, on the understanding that the Commission would act after consulting national experts, that the following criteria could be applied to the methods of gathering the required information. In each of the Member States the Commission would in the first instance use suitable data from Community or national surveys already made or planned; in addition, it would supplement this information by means of specific and appropriate methods of obtaining the information which it considered necessary to fulfil the task entrusted to it, such as case studies, sampling among workers and enterprises, and interviews with some of the persons involved, experts on the subject, and public and private bodies (including workers' and employers' organizations, immigrants' associations and organizations) to protect and assist immigrants. The Commission will propose that the Council should approve any formal procedures which may prove necessary. The survey would cover the six Member Countries. After 1 January 1973, the Council, on the Commission's proposal, would examine the advisability of extending it to the Acceding Countries.

(b) *Social security for migrant workers*

(i) Amendments to Regulation (EEC) No 574/72 of the Council (Implementing Regulation)

70. On 26 September 1972 the Council adopted the Regulation (EEC) No 2059/72 of the Council supplementing Article 26 of Regulation No 574/72 and correcting the German text of Article 50 of this Regulation. These were technical and linguistic amendments which had to be approved before Regulation Nos 1408/71 and 574/72 on social security for migrant workers could come into force on 1 October 1972.

(ii) Amendments to the Regulation (EEC) No 1408/71 of the Council (Basic Regulation)

71. In December 1972, the Commission submitted to the Council a third memorandum concerning the technical amendments to be made to the above-mentioned Regulation to take account of the situation in the enlarged Community. The changes suggested arose

from some very important amendments which had been made to the Danish laws on social security during the period when the documents concerning accession were being prepared and after they had been signed. To take account of this new legislation Appendix II, chapter VII of the Act of Accession lays down, with reference to Regulation No 1408/71 of the Council, that 'The Regulation is to be amended to the extent that amendments made to Danish legislation so require'. At its meeting on 18 and 19 December 1972 the Council — acting under the terms laid down in Article 153 of the Act of Accession — agreed to the Regulation making the technical amendments to Regulation No 1408/71 mentioned above.

(iii) Technical Amendments to Regulation (EEC) No 574/72 of the Council (Implementing Regulation)

72. The Commission also submitted a fourth memorandum to the Council on the technical amendments to be made to the above-mentioned Regulation to take account of the situation in the enlarged Community. This memorandum did not reach the Council soon enough to be adopted according to the procedure laid down in Article 153 of the Act of Accession, and so the Regulation amending Regulation No 574/72 of the Council will have to be adopted using the normal Treaty procedure. The Commission was therefore requested to amend its proposal, particularly the preamble. The Council will be able to adopt the modifying Regulation early in 1973 after consultation with the Assembly.

(iv) Declaration from Member States concerning the application of social security schemes to migrant workers and their families

73. Article 5 of Regulation (EEC) No 1408/71 of the Council lays down that the Member States should specify the legislation and schemes referred to in Article 4, paragraphs 1 and 2, the minimum benefits referred to in Article 50 and the benefits referred to in Articles 77 and 78 in declarations to be made to the President of the Council and published in the Official Journal of the European Communities in accordance with Article 96. Since the Commission wished to standardize the text of these declarations as far as possible, the delegations submitted drafts of their declarations to the Secretariat-General of the Council. They then examined these various drafts jointly with the Commission Representative in order to coordinate the layout. After this examination the various Member States' Governments submitted their declarations to the President of the Council. The complete text of the declarations submitted will be published shortly in the Official Journal of the European Communities.

- (c) *Proposed Regulation of the Council relating to provisions concerning conflicting laws on labour relations within the Community*

74. In a letter dated 23 February 1972, the Commission submitted to the Council the above-mentioned proposed Regulation, based on Article 49 of the Treaty. At its meeting on 25 and 26 April 1972 the Council agreed to consult the Assembly and the Economic and Social Committee on this proposal. The Assembly has not yet delivered an Opinion, but the Economic and Social Committee formulated its Opinion on the matter at its meeting at the end of November 1972.

4. EUROPEAN SOCIAL FUND – GRANTS FOR REDEVELOPMENT AND TO WORKERS

- (a) *Council Decisions concerning the use of the Fund under Article 4 of the Decision of 1 February 1971 in favour of the agricultural and textile sectors*

75. At its meeting on 9 November 1972, the Council gave its fundamental agreement to two Decisions concerning the use of the European Social Fund under Article 4 of the Decision of 1 February 1971, to help the agricultural and the textile sectors respectively. These Decisions were formally drawn up in the Community languages on 19 December 1972. The use of the Social Fund to help the agricultural sector is aimed at increasing the opportunities for employment and the geographical and occupational mobility of persons who leave an occupation which is their main occupation and which is directly connected with agriculture, to take up an occupation outside agriculture as an employee or self-employed person. Assistance to the textile sector is aimed at increasing the opportunities for employment and the occupational mobility of persons employed in this sector whose employment is directly affected or threatened by measures for structural change, whether quantitative or qualitative, and who are bound to work as employees either in the sector or outside it. The Fund may also be used to benefit self-employed persons managing a textile enterprise, particularly if it is a small craft industry, who are bound to work as self-employed persons. The Decision on the use of the Fund in the textile sector applies to operations for which the plans have been approved by the Commission before the expiry of a period of three years after this Decision comes into force.

- (b) *New measures for the use of the Social Fund under Article 4 of the Decision of 1 February 1971*

76. The French delegation submitted three guideline notes to the Council concerning the use of the Social Fund under Article 4 of

the Decision of 1 February 1971 in favour of the training of workers in the sectors of data-processing and management, enabling disabled workers to lead an active life, and maintaining the balance between labour supply and demand. At its meeting of 9 November 1972, the Council took note of the above-mentioned guideline notes and called on the Commission to study the suggestions they contained, under Article 4 of the Council Decision of 1 February 1971.

- (c) *Commission memorandum to the Council on progress on the implementation of the Council Decision of 22 December 1966 on the granting of Community aid to sulphur mine workers in Italy affected by dismissal*

77. The Commission submitted a memorandum to the Council containing a progress report on the implementation of the Council Decision of 22 December 1966 on the granting of Community aid to laid-off sulphur mine workers in Italy who had been dismissed. It also calls on the Council to terminate the aid programme and to decide on 31 December 1970 as the termination date, in view of the effects of implementing this Decision. During its work in preparing this memorandum the Commission said that it was prepared to collaborate fully in the search for an overall solution which would form part of an integrated scheme and result in the restructuring of industrial activity in the regions where the sulphur mines are situated. However, the Commission is no longer prepared to give the subsidies and grants laid down in the above-mentioned Decision since the conditions for giving Community aid are no longer being met. But the question arises whether the Council has authority to decide to terminate Community aid. This question is being examined in court. The Council's future work will be based on the court's ruling.

- (d) *Integration of disabled and mentally retarded persons into everyday life*

78. In 1971 the Commission sent a questionnaire to Member States in order to obtain a list of what provisions were in force and what action had been taken to integrate disabled persons socially, vocationally and medically. The first part of the questionnaire asked the Member States to give a general review of their system for helping disabled people and how it worked, the second part asked for detailed replies to a certain number of technical questions. Nearly all the original Member States of the Community have replied to the Commission. The same questionnaire was sent to new Member States in order to gain a general view of the situation in the enlarged Community. The Commission is about to examine and process the very

interesting data which the Member States have provided in the questionnaire, although the procedure has not yet been defined. In addition the Commission has set up a Working Party to draw up a draft long term work programme on the reintegration of disabled persons. A first interim report has been submitted to the Council and a further memorandum containing concrete proposals will probably be submitted to the Council by the Commission by the end of the first quarter of 1973. Lastly, the Commission is continuing its work on the question of expanding and continuing the research programme carried out by the ECSC. The Commission will shortly be submitting a memorandum on this matter to the Council.

(e) *Aid for industrial redevelopment under the ECSC*

79. The Commission has submitted several requests to the Council for its assent to the Commission facilitating the reabsorption into productive employment of workers made redundant by the closure, reduction or changing of business activities in coal or iron and steel enterprises. The Council gave a favourable reply to the Commission's requests and at its meetings in February, April, September and November 1972 gave its assent under Article 56, paragraph 2 of the ECSC Treaty allowing the Commission to grant loans totalling a maximum of 30 million FF (approximately 5.4 million u.a.) to the firm Société automobiles M. Belliet in Lyon, to help it to finance the setting up of a production unit for gear boxes and transmissions at Andrézieux-Bouthéon (Loire); 2 million DM (approximately 546 000 u.a.) to the firm, Hackforth et Co. Maschinenfabrik in Wanne-Eickel, to help it to finance increases in the capacity of its production unit at Wanne-Eickel (Nordrhein Westfalen); 4.5 million DM (approximately 1.2 million u.a.) to the firm, Stahlwerke Bochum A.G., to help it to finance extensions to the steel casting works and the construction of a works for processing heavy cast steel components at Bochum (Nordrhein Westfalen); 25 million FF (approximately 4.5 million u.a.) to the firm, S.A. Chausson-Carosserie at Asnières, to help it install a sheet deep-drawing unit and a painting and finishing unit at Maubege (Nord); 5 million FF (approximately 0.9 million u.a.) to the firm, (SARL) Viessmann, to help it to finance the installation of a boiler production unit at Faulquemont (Moselle); 7 million DM (approximately 1.913 million u.a.) to the firm, VEBA-Chemie AG, to help it finance extensions to its Vestolen GmbH production lines in Gelsenkirchen-Bauer (Nordrhein Westfalen); 5 million DM (approximately 1.366 million u.a.) to the firm, Erste Deutsche Floatglas GmbH & Co. oHG in Hersogenrath (Aix-la-Chapelle), to help it finance a 'Float' plant for producing plate glass; 1.5 million FL. (approximately 0.4

million u.a.) to the firm, N.V. Nederlandse Draadindustrie (NDI), to help it finance extensions to its production capacity of prestressed steel and of spot welded lattices at Blerick (Limburg in Holland).

5. WORKING CONDITIONS

(a) *Mass redundancy*

80. At its meeting of 12 June 1972 during a short discussion on the employment situation in the Community and its development, the Council touched on the problems raised by mass redundancies with particular reference to multinational enterprises. At that meeting the Council asked the Commission to state its opinions on the matter before its next meeting to enable a certain number of guidelines to be established. These guidelines would then have to be discussed by the Standing Committee on Employment before any decisions were taken.

In reply to this request the Commission submitted a note to the Council on 17 July 1972 on mass redundancies and stated that it planned to draw up concrete proposals after the forthcoming discussion between the Standing Committee on Employment and the Council. On the basis of this note from the Commission the Council laid down a certain number of guidelines. These were mainly concerned with mass redundancy, communication and consultation with the workers' representatives and the role of public authorities. The text of the guidelines laid down by the Council and that of a note from the Commission were submitted to the Standing Committee on Employment which discussed the matter thoroughly at its meeting on 26 October 1972. Following this discussion the Council planned to discuss a certain number of problems in its meeting on 9 November 1972 in order to define its policy in more detail. Decisions had to be made on the powers of public authorities to authorize redundancies, on the appraisal of reasons for redundancy and on the form of the text to be adopted at Community level. However, at the beginning of the meeting the Commission submitted a formal proposal for a Directive to the Council on the standardization of laws in Member States relating to mass redundancies. The Council was therefore unable to discuss these problems in detail and confined itself to deciding to consult the Assembly and the Economic and Social Committee on this proposal, in conformity with Article 100, paragraph 2 of the Treaty, with the rider that it was important for the Council to have their opinions as soon as possible. At an information meeting which also took place on 9 November 1972, attended by the delegations of the three Acceding States, the Council was able to learn their attitudes towards the problem of mass redundancies.

(b) Collation and examination of collective agreements

81. Following the Council's Agreement at its meeting on 29 February 1968 on the work programme adopted to implement Article 118 of the Treaty, the Commission collated and examined — on an experimental basis — the collective agreements which had been concluded in the Member States in the non-electrical machine-building sector and the electrical machinery sector. In view of the results of the test for these sectors the Commission proposed to collate and examine the collective agreements for all industrial sectors on a regular basis. The Council examined the Commission's suggestions and it appeared that the collective agreements for the non-electrical machine building and electrical machinery sectors should continue to be collated and examined so as to keep the data on these agreements up-to-date, and any extension of this work to other sectors of industry should take place discretely and by stages. It therefore seemed advisable to decide in which sectors the collective agreements should be examined first and the Commission will contact government experts and find out in which sectors the agreements should be collated and examined. When it has prepared its case it will submit to the Council the necessary proposals for the expansion of its work to the other sectors.

82. Subsequently, on 14 July 1972, the Commission submitted a working document to the Council suggesting a list of thirteen priority sectors in which collective agreements should be collated and examined. These were: — the iron and steel industry, the metal-working industry, the textile and clothing industry, the building trade, the chemical industry, the petro-chemicals industry, the food, drink and tobacco industry, printing and graphic arts, leather and footwear industries, paper industry (paper making and processing), the woodworking industry, manufacture of glass and glass products, and mining.

83. At its meeting of 9 November 1972 the Council agreed that the work of collating and examining collective agreements concluded in Member States should be extended by stages to the thirteen sectors proposed by the Commission. It was understood that the questionnaire drawn up by the Commission would be completed when the various collective agreements were renewed or amended and that the Commission and the appropriate authorities in Member States would agree on the procedure to ensure that the work-load on the national bodies was suitably spread over a period, so that a review of the overall situation in the thirteen sectors throughout the Community should be available as soon as possible.

6. VOCATIONAL TRAINING

84. Following the guidelines adopted by the Council on 26 July 1971¹ the Commission submitted draft preliminary measures to the Council on 8 November 1972 for the introduction of a common policy on vocational training. At its meeting on 9 November the Council stated that since this draft had only recently been submitted they had not been able to examine it and therefore it was not possible for the Council to make a statement. The Council therefore called on the Committee of the Permanent Representatives to give priority to examining this draft and agreed to draw up and finalize preliminary measures for introducing a common policy on vocational training in its next meeting on social affairs. It was also agreed that in the course of their work in the field of vocational training they would take account of the survey on the provision of vocational guidance in the Community (1971), which the Commission had submitted to the Council on 18 October 1972.

7. MEASURES TO BE TAKEN REGARDING A SOCIAL SECURITY POLICY

(a) Preparation of the first European Social Budget

85. At its meeting on 9 November 1972 the Council took note that the Commission had submitted the report on the medium term forecasts of expenditure on social services and how this was to be financed in the Community Member States and also the draft working programme for preparing the European Social Budget. It congratulated the Commission on the work it had done in order to complete the task which it had been given at the meeting of the Council on 26 November 1970. Without prejudice to the Decisions which would have to be taken for later stages, the Council agreed on the following points for the first stage. The first European Social Budget would be based on existing social accounts in the Community. The retrospective section would cover the period 1970–1972 and the forecast section the period 1973–1975. The Commission would prepare this Budget in collaboration with the national experts. The Commission was called on to start work, in collaboration with the national experts, on examining ways and means of extending the Social Budget to cover the fields of adult vocational training and local authority housing, and to submit to the Council any proposals which might prove necessary. The Permanent Representatives Committee was given the task of examining the proposals formulated by the Commission in Chapter II of the draft working programme mentioned above so that the necessary Decisions could be taken quickly.

¹ OJ No C 81 of 12. 8. 1971

(b) *Meeting of the Directors-General for Social Security in the Member States*

86. Since at its meeting on 26 November 1972 the Council had emphasized the importance of coordinating social policies, including policy on social security, the French delegation suggested that the Directors-General for Social Security in the Member States should meet periodically to ensure coordination of these policies. The first meeting of the Directors-General was held within the Council on 24 October 1972 when the following points were discussed: questions relating to the draft European Social Budget; flexibility of retirement age; scope of individual social security benefits. The exchange of views at the meeting enabled everyone to learn of current developments in the laws of Member States concerning flexibility of the retirement age and the extent of individual social security benefits. The Directors-General made a very great contribution on problems relating to the draft European Social Budget towards the Agreement reached in the Council's meeting on 9 November 1972 on the content of the first European Social Budget. The Directors-General for Social Security agreed to hold their second meeting during the first half of 1973.

8. OTHER MATTERS

(a) *Second report from the Commission to the Council on the feasibility and the difficulties of obtaining ratification by the Member States of an initial list of agreements concluded within the framework of other international organizations*

87. In a letter dated 26 June 1972, the Commission presented its second report on this subject in accordance with the conclusions adopted by the Council on 29 February 1968. After the Council had examined the report it was stated that it had been prepared in April 1971 from the replies provided by the governments which generally date back to 1969. Under these circumstances it was considered that the report should be brought up to date. The delegations had therefore been asked to submit the relevant data to the Commission concerning their countries' agreements mentioned in the report and also — at the request of the Commission — concerning Agreements Nos 118 and 121, as well as the European social security code and the protocol appended to this document. The Commission would then prepare an updated report and submit it to the Council. The delegations from the Acceding Countries had also been called on to provide the necessary data for the Commission so that it could prepare a supplement to this report, in the form of an addendum, on the current situation in the new Community Member States.

(b) *Coordination of the standpoints of the Member States' Governments on the work of the International Labour Organization Conference*

88. As in previous years, the standpoints of the government delegations from the six Member States were coordinated for the International Labour Conference which was held at Geneva from 7 to 28 June 1972. Their coordinated standpoint and consistent opinions gave the delegations of the six Member States considerable influence in the case of several provisions in deciding on the solutions adopted by the committees responsible for examining the texts submitted to the Conference. Some coordination work had been necessary on three items on the Conference agenda, viz., social effects of new handling methods (in docks), minimum age for starting work, and social effects of automation and other technical advances. The delegations from the Acceding States followed the coordinating work of the Six with particular interest and in several cases they agreed with the Six. In addition the British and Irish delegations took an active part in the meetings held by the Six to coordinate their views on the Commission's work on automation, and the amendments worked out in the meetings were submitted jointly by them and the six delegations.

89. During September and November 1972, a further series of coordination meetings were held in connection with the work of the International Labour Conference to be held in Geneva in June 1973. This work of coordination, which will be resumed in May 1973, concerned the following items which are on the agenda of the next International Conference: paid holidays and education periods, the fight against cancer at work and preventive measures, minimum age for starting work (second reading), social effects of new handling methods (in the docks) (second reading).

(c) *Statement from the Dutch delegation on certain reports produced by the European Parliament*

90. At its meeting on 9 November 1972, the Council took formal note of a statement from the Dutch delegation that greater importance ought to be attached to the following reports which were produced by the Parliament, viz., Mr Van Der Gun's report on certain problems surrounding the definition of a coordinated policy on wages and incomes and one by Mr Vredeling on preliminary guidelines for a Community social policy programme.

CHAPTER III

AGRICULTURE

A — General problems concerning the Common Agricultural Policy

1. AGRICULTURAL REFORM

91. The Council's work on agriculture in 1972 falls into two categories, viz. work of a general nature on the implementation of the Council's Resolution of 25 May 1971 on the new guidelines for the Common Agricultural Policy¹, in translating its principles into legislation, and more specialized work on individual measures which have been taken in different sectors in order to resolve some of their specific structural problems.

92. The work on general matters produced three basic Directives which were adopted in April 1972, on the modernization of farms (72/159/EEC), on measures to encourage the cessation of farming and the reallocation of utilized agricultural areas for the purposes of structural improvement (72/160/EEC) and on the provision of socio-economic guidance for and the acquisition of occupational skills by persons engaged in agriculture (72/161/EEC). Each of these Directives has three main sections, viz. a definition of its objectives, a definition of the means of attaining these and rules for financing the action to be taken.

The basic aim of the Directive on 'Modernization', as laid down in the Resolution of 25 May 1971, is to enable farms capable of development to achieve in six years an earned income comparable to that enjoyed by non-agricultural enterprises in the region in question.

¹ OJ No C 52 of 27 May 1972

However, two important new features have been added to the provisions of the Resolution. Whereas originally the intention was only to help those outdated farms which could be modernized, it has now been accepted that farms whose profitability is at present comparable to that of nonagricultural activities could also benefit from the measures laid down in the Directive if their intrinsic structure was such as to jeopardize or even seriously affect the maintenance of that income at a comparable level in the long term. In addition, although it is still allowed that comparability of earned income may be established by the direct method, i.e. by comparing the figures for average gross wages of agricultural workers with those of non-agricultural workers, it was also allowed that it could be established by the indirect method of comparing the income of farms seeking to benefit from incentives with that of reference farms chosen as such because their income is already sufficient.

The means of attaining these aims fall into two categories, common measures and the optional subsidiary measures of supplementary aid granted by the national government. The main common incentive measures are: to make available land released under Directive 72/160 on the cessation of farming; aid, in the form of payments to cover interest, for the investment necessary to modernize the enterprise; and guarantees for loans and the interest on them. The Directive also provides for a system of incentives to keep business accounts, and the encouragement of mutual technical aid between farms, land reallocation and a switch to beef production.

93. Since one of the fundamental drawbacks of the agricultural structure in the Community is the large number of enterprises which cannot be modernized either because they are too small or the farmer is too old, Directive 72/160/EEC has the specific aim of at least partly correcting this state of affairs. To this end it incorporates two main categories of measures, the first concerning persons who cease farming and the second organizing the utilization of land thus released.

To encourage persons aged between 55 and 65 to leave agriculture, provision is made, under certain conditions, for granting them an annuity of an amount left to the discretion of the Member States but 900 or 600 u.a. of which will be borne by the Community depending on the marital status of the recipient. In addition any farmer, of whatever age, who leaves farming will be able under certain conditions to obtain a premium calculated on the area of land which he releases.

Land released must be reallocated in such a way as to contribute to general structural improvement. On this basis it must either be leased or conveyed in absolute ownership by way of emphyteutic

lease to farmers benefiting from incentives to modernize farms, or be permanently withdrawn from agricultural use, in particular by being reallocated for afforestation or for public purposes, and these measures may be implemented by land organizations which Member States may set up.

94. The third text, drawn up in April 1972, has three main parts concerning means of providing adequate socio-economic guidance for persons engaged in agriculture, additional occupational skills for them and occupational retraining for such persons who decide to leave agriculture.

95. For all three of these Directives, the measures of which constitute common measures within the meaning of Article 6 § 1 of Regulation No 729/70 on the financing of the Common Agricultural Policy, the Council decided that the Community would reimburse the costs of implementing these at the rate of 25%, but that this could rise to 65% for incentives to leave farming in agricultural regions where unfavourable conditions exist and where such measures were still not in operation under national legislation or regulations on 19 April 1973, which is when Directive 72/160/EEC enters into force. Although the Council laid down that the common measures as defined in Directives 159, 160 and 161 should be implemented in ten years, it only defined their estimated total cost to the Community for the first five years; these costs are 432, 288 and 110 million units of account respectively, i.e. a total of 830 million UA to be debited to the EAGGF. To this sum, which has been approved by the Community, the Member States will contribute a further 2 490 million UA and overall the funds to be used for agricultural reform will increase between 1973 and 1977 to 3 320 million UA

96. Far-reaching as they are, the measures mentioned above would be inadequate to achieve this reorganization if their total implementation did no more than create the conditions under which a reformed agricultural economy could be better integrated into the general economy, or equally if they did not provide a sufficient guarantee that certain special types of agricultural activity would develop smoothly. Realizing this, the Council agreed to round off the matter by adopting a Regulation on producers' organizations which was aimed at increasing the power which should belong to these economic agencies; at the same time it considered that such a Regulation would be ineffective unless it were accompanied by 'downstream' Regulations to improve the marketing of agricultural produce and to regularize certain practices in the processing of this produce. The Commission issued proposals on these last two matters with the economic aim of simplifying the agricultural market. In addition, the Council noted that in early 1973

the Commission would submit proposals on hill farming where the weather and ecological conditions required special Regulations if it was intended to maintain a minimum of human activity in these areas. subject obviously to the material means of supporting existence, i.e., in the final analysis, income. Furthermore, in a more general way, the Council has requested the Commission to look into the problems of granting direct income supplements and to submit a report on this subject.

97. Apart from these general measures adopted or projected in 1972 the Council adopted or began to study various specific measures to correct certain structural imbalances in different sectors. One of these was Regulation (EEC) No 2722/72 on the financing by the EAGGF, Guidance Section, of conversion projects in the salt cod-fishing industry. This Regulation has two main features. Firstly, it seeks to resolve only some of the problems concerning the structure of the cod-fishing industry. The reason for this is that at the time of enacting basic Regulations on the common organization of the markets for fisheries products, it had been agreed to mitigate the adverse effects which a complete liberation of trade, accompanied by a suspension of fishing rights — particularly on cod — would have had on the producers concerned, by initiating certain common measures particularly aimed at restructuring the cod-fishing fleet. At the same time, the Council let it be understood that Regulation (EEC) No 2722/72 was not its final measure, and it invited the Commission to submit proposals at an early date on measures for the structural improvement of small-scale in-shore fishing and deep-sea fishing, other than cod-fishing, taking account of the dangers of exhausting the fishing grounds which might arise from these measures, so as to enable it to adopt them before 1 August 1973. The second feature of Regulation 2722/72 concerns the date when it enters into force. It was decided that EAGGF aid would be available for equipment whose construction was begun on or after 1 June 1971 on condition that it could not have been put into service before the submission of an application for aid. The object of this ruling is to cover conversion projects undertaken on the basis of the intentions declared at the time of adopting the basic Regulations on maritime fishing.

98. In quite a different field, in 1972, the Commission submitted a proposal to the Council, on the granting and reimbursement of aids granted by the Member States to recognized producers' organizations in the hop sector. The reason why this proposal — which is still being examined by the Council — concerns only one sector, lies in the delay in adopting the general Regulation concerning all groupings of agricultural producers.

99. Finally, in the field of statistics, which are essential for a correct understanding of agricultural problems, and particularly of agricultural structures, the Council decided to follow up its previous measures by setting up a Standing Committee for Agricultural Statistics, which would ensure close cooperation between Member States and the Commission in facilitating the implementation of current measures.

2. AGRICULTURAL PRICES

100. One of the Council's measures to direct the common trade organizations was to fix, in March 1972, after some marathon sessions, the prices of the main agricultural products, on the basis of Commission proposals, after noting the Opinion of the Parliamentary Assembly and the Economic and Social Committee and after consultations with the new Member States. These Decisions were made together with the adoption of the three Directives on 'Structures' mentioned above.

The Council fixed price increases for the marketing year 1972/73 of the order of 4% for cereals, rice and sugar, 3% for oil seeds, 7% for wine, about 8% for tobacco, 8% for milk and 7% in two stages for beef and veal. These different increases demonstrated the Council's concern to make the price structure more favourable towards animal products than vegetable products.

3. EFFECTS OF TRENDS IN THE MONETARY SITUATION ON THE WORKING OF THE COMMON AGRICULTURAL POLICY¹

101. Although the period covered by the present Review saw a return to relative stability in monetary relations following the Washington Agreements in December 1971, the working of the Common Agricultural Policy, although not directly affected by the monetary situation, was nevertheless impaired by the various uncertainties caused by the monetary situation. In order to forestall the possible undesirable consequences of these uncertainties, in March 1972 the Council produced certain hypotheses concerning monetary relations within the Community and on the basis of these laid down the measures to be implemented should the situations described in these hypotheses — of which there were three — should actually come about. Firstly it considered that the new parities for the currencies of the Member States should be fixed at the central rates adopted following the Washington Agreements, secondly that the value of the unit of account should not be altered and finally that if this value expressed in gold were, nevertheless, to be altered during the 1972/73 marketing year prices expressed in units of account should be altered so as to leave prices

¹ See also the Chapter, 'Economic and Financial Matters'

expressed in national currencies unchanged throughout the year. On this basis it was agreed that Member States who revalued their currency would be authorized to introduce national measures, e.g. of a fiscal nature, to compensate for a large part if not all of the effect of such revaluation. In countries where this compensation was partial or even non-existent the intervention prices and direct aids, fixed in terms of UA, would be increased provisionally so as to maintain the prices and other sums expressed in national currencies, adherence to these prices and sums being ensured by a system of compensatory amounts in trade exchanges, which would be progressively reduced while measures would be taken simultaneously to prevent any decrease in farmers' incomes. Furthermore the Council decided that the compensatory amounts would be taken into account by the scheme for financing the Common Agricultural Policy as from 1 July 1972 for amounts relating to trade with non-Community countries and as from 1 January 1973 in other cases.

Apart from this last item, these measures agreed by the Council did not have to pass into law since the Member States concerned did not declare any new parities to the International Monetary Fund, and the system of central rates remained in force throughout 1972. On the other hand the inclusion of the compensatory amounts in the Community system of financing the Common Agricultural Policy was the subject of a Regulation which touches on the terms of the Agreement concluded in March and which, in order to do this, had to enlarge the legal basis of Regulation (EEC) No 974/71 in particular by adding Article 43 of the Treaty to it.

102. The new monetary relations resulting from the system of central rates entailed the wider implementation of Regulation No 974/71 at the end of 1971, a process which the Council followed closely by means of reports from the Commission. A particular problem arose over imports of cereals which were exempt from the compensation since they formed part of contracts concluded before the new *de facto* values for the various Community currencies had been fixed. On 9 May 1972 the United States dollar was officially devalued, which entailed an increase in the levy and a corresponding reduction in the amount of compensation. To avoid an increase in import charges when in fact the price levels had remained the same — since the dollar had only been officially devalued in relation to its central rate — the Council decided that imports of cereals under previous contracts would, at the request of the parties concerned, be exempted from paying the amount by which the levy had increased following the official devaluation of the dollar up to 31 July 1972, i.e. the end of the 1971/72 marketing year.

103. Lastly another special problem arose at the end of 1972 due to the fact that the amounts of compensation applicable under the Treaty of Accession corresponded to United Kingdom and Ireland prices based on the Central Exchange rate of the pound, whereas on 23 June 1972 the British Government decided to withdraw the pound provisionally from the central rates system. The floating of this currency resulted in a loss in value which at the beginning of 1973 was more or less stable at 9.82%. The Council's attention was drawn to this situation at the end of 1972 and the Commission then announced that it was putting forward proposals to enable the Agricultural Common Market to function normally in the enlarged Community as from 1 February 1973¹.

B — Additions and amendments to Regulations on the common organizations of markets

1. NEW BASIC PROVISIONS

(a) Special measures in the silkworm sector

104. On 24 April 1972 the Council introduced a Regulation² laying down special measures to encourage silkworm rearing. By adopting this Regulation it recognized the importance of this industry to the economies of certain regions of the Community, where it constituted a source of additional income for the farmers. In order to preserve the very existence of this industry which has steadily declined in the face of international competition, the Council made provision for aids to be granted for silkworm rearing so as to facilitate the adjustment of supply to market requirements, while ensuring a fair income for silkworm rearers. Furthermore, on 2 May 1972 it laid down general rules for granting aid in respect of silkworms for the 1972/73 rearing year³. Lastly, in a Regulation⁴ of 29 May 1972, it fixed the amount of aid in respect of silkworms for the 1972/73 rearing year at 30 UA per box of silkworm eggs.

(b) Common organization of the market in alcohol

Ethyl alcohol of agricultural origin

105. On 18 December 1959 the Council decided to include ethyl alcohol of agricultural origin, as shown under items 22.08 A

¹ These problems were resolved by the Council in January 1973

² Regulation (EEC) No 845/72, OJ No L 100 of 27. 4. 1972

³ Regulation (EEC) No 922/72, OJ No L 106 of 5. 5. 1972

⁴ Regulation (EEC) No 1100/72, OJ No L 125 of 31. 5. 1972

and B and 22.09 A of the CCT, in the list in Annex II of the Treaty and had thus made it possible to include this product in one of the forms of organization of markets laid down by Article 40, paragraph 2 of the Treaty. However, this Decision did not include spirituous beverages/liqueurs and alcoholic preparations shown under items 22.09 B and C which are to be considered as industrial products obtained either from the conversion of alcohol of agricultural origin or of alcohol-producing products.

106. On the basis of the abovementioned Decision, the Commission submitted to the Council on 6 March 1972 a draft regulation on: (a) the common organization of the market for ethyl alcohol of agricultural origin; (b) additional provisions governing ethyl alcohol of agricultural origin and certain alcohol-containing products.

The primary object of this proposal is to find a solution which will preserve the production of an 'agricultural' alcohol, which is proving essential, notably for valorizing agricultural products, regularizing certain markets, contributing to the improvement of quality, maintaining an industry which is a social necessity in certain regions, while at the same time placing the fewest possible restraints on the production and marketing of synthetic alcohol and spirituous beverages/liqueurs. This proposal also takes account of the essential points in its proposed directive on the harmonization of excise duties on alcohol, particularly in the matter of a single rate¹.

The aim of this proposal is to ensure a balance between agricultural necessity and industrial realities. To accommodate these the Community Regulations on alcohol include the setting up initially of a common organization of the market structured for ethyl alcohol of agricultural origin (including cider, perry, mead and other fermented beverages of more than 15° strength as well as alcohol vinegar).

Furthermore the Commission has not discounted the possibility that in some cases it will be necessary to examine to what extent certain basic amendments should be made to its proposal as described above after comments from the new Member States of the Community when this proposal is submitted to the Council.

107. In accordance with the provisions of Article 43 of the Treaty, the Council decided at its session of 13/15 March 1972 to consult

¹ OJ No C 43 of 29. 4. 1972

the Assembly and, without being bound thereby, the Economic and Social Committee on the proposal of the Commission, this body having delivered its Opinion on 27 June 1973.

The different Council departments commenced examination of this proposal during April 1972 and representatives of the Acceding States started to work in these departments in autumn of the same year. It soon became clear that to draw up a common policy on the market in alcohol of agriculture origin would be a difficult undertaking, because of the divergent structures and interests, both agricultural and industrial, existing in this sector in the enlarged Community, and also because of the complexity of the problem and the number of very different possible solutions. In this connection particular attention should be drawn to the difficulties of defining the scope of the common organization of the market for alcohol of agricultural origin, which necessitates, in the first instance, a definition of this alcohol to distinguish it from other distillation products not shown in Annex II of the Treaty. Another crucial problem lies in the choice and type of mechanism to be set up.

108. Finally, during negotiations on accession, a certain link was established between the common policy to be evolved on alcohol and the measures to be adopted by the Council to facilitate the use of Community cereals in the manufacture of spirituous beverages, particularly of whisky.¹ This link was strengthened at the end of the first stage of the work on evolving a common policy on alcohol resulting in a Council Resolution² on 28 December 1972 in which this body agreed to adopt, simultaneously, the Regulation on the common organization of the market concerning ethyl alcohol, which was to come into force on 1 August 1973, and the measures for ensuring that export rebates would in fact be granted for spirituous beverages obtained from cereals, also to come into force on 1 August 1973 within the framework of this market organization and in accordance with the provisions of Protocol No 19. It also agreed to hold a discussion on this matter in January 1973.

2. MATERIAL AMENDMENTS TO BASIC REGULATIONS

(a) *Provisions concerning various sectors: advance fixing of levies and export refunds*

109. During the year under review, the Council decided after several debates to supplement the existing provisions concerning the

¹ Protocol No 19 annexed to the Act concerning the Conditions of Accession and the Adjustments to the Treaties, OJ No L 73 of 27. 3. 1972

² OJ No C 141 of 31. 12. 1972

advance fixing of levies and refunds, so as to make the system more efficient by increasing the Commission's powers to implement it.

- (i) Suspension of the application of the provisions for the advance fixing of levies and export refunds

110. Firstly, on 21 November 1972, the Council enacted a Regulation concerning the suspension of provisions for the advance fixing of levies and export refunds in different sectors of the common organization of the market.¹ By means of this Regulation, which concerns the cereals, eggs, rice, sugar, milk and milk products and oils and fats sectors, the Council, in the light of its practical experience, provided the Commission with additional powers to take action which would enable it to suspend the system of advance fixing if difficulties should arise in the market as a result of its implementation. Such a suspension measure should be taken in accordance with the Management Committee procedure, and for the period strictly necessary, but in cases of extreme urgency the Commission could decide to implement the suspension for a maximum of three working days after simply consulting the Committee.

- (ii) Extension of the application of the provisions for the advance fixing of export refunds

111. The Council subsequently adopted five Regulations to extend the application of the provisions for the advance fixing of export refunds already provided for in other sectors, and supplemented as indicated above under (i), to cover all the products in the egg sector other than eggs in shell² and all products in the pigmeat sector³ and the poultrymeat sector⁴.

(b) *Fruit and vegetables*

112. After prolonged debates and consultation with the Acceding States, the Council in its sessions of 20/21 November and 18/19 December 1972 adopted a set of provisions to improve and strengthen the common organization of the markets in the fruit and vegetable sector

¹ Regulation (EEC) No 2429/72, OJ No L 264 of 23. 11. 1972

² Regulation (EEC) No 2683/72, OJ No L 289 of 27. 12. 1972

³ Regulation (EEC) No 2685/72, OJ No L 289 of 27. 12. 1972, and Regulation (EEC) No 2686/72, OJ No L 289 of 27. 12. 1972

⁴ Regulation (EEC) No 2688/72, OJ No L 289 of 27. 12. 1972, and Regulation (EEC) No 2689/72, OJ No L 289 of 27. 12. 1972

which contain substantial amendments and additions to the provisions of the basic Regulation and certain acts governing their implementation, as well as the extension of supporting measures.¹

113. The main amendments contained in the Regulation amending the original Regulation No 1035/72² adopted by the Council on 21 November 1972, after consultation with the Assembly, are as follows:—

As regards the price and intervention system, the system of calculating basic prices arithmetically (average of prices during the last three marketing years) was replaced by a method of fixing these prices comparable to that operative for most of the other agricultural products and which allows the Council a margin for increases, to be applied according to criteria of an economic or political nature, in order to support farmers' incomes and stabilize prices while taking care not to create structural surpluses, in the consumers' interests. This amendment should produce trends in basic prices and purchasing prices (which are correlated according to the method of fixing them which remains practically unchanged) which will be comparable and in line with price trends in other agricultural sectors. It should be pointed out that the Council also agreed to take these criteria into consideration when fixing all agricultural prices.

114. Furthermore, additions have been made to the previous provisions of the basic Regulation which relate to financial compensation granted by Member States through Community funds to producers' organizations which withdraw products from the market and which lay down that only withdrawals at an equal or lower price than the Community withdrawal price are eligible for this compensation. These additions, in certain cases and under conditions determined by the Commission according to Management Committee procedure, enable financial compensation to be granted up to the Community withdrawal-price level, even when the prices actually paid by the producers' organizations exceed this level.

Finally, it appeared that the provisions concerning the obligation to intervene publicly in cases where the Commission has declared a 'grave crisis', were too rigid and irrelevant, seeing that in most Member States the market is regulated by the producers' organizations; this

¹ Regulation (EEC) No 1035/72, OJ No L 118 of 20. 5. 1972

² Regulation (EEC) No 2454/72, OJ No L 266 of 25. 11. 1972

was why the rule became the exception; in future the Commission will declare a 'grave crisis' at the request of a Member State and the resultant measures will be applicable only in that State.

The different ways of disposing of products withdrawn from the market laid down in the original Regulation have occasionally proved inadequate. It was therefore laid down that in certain cases these products could be distributed in schools after processing.

115. Regarding trade with non-Community countries, the new provisions aim at stricter adherence to Community preference by strengthening protective measures. This applies in the first instance to the general system of reference prices, and makes the Commissions' method of determining them more flexible, since it must now take account of average trends in basic and buying-in prices; as well as the arithmetical mean of production prices, the amendment to the method of fixing these prices mentioned above will therefore have a certain effect on the reference price level.

In addition, the costs of transporting Community products from the place of production to the marketing centres will in future generally be included in the reference price calculation on a flat rate basis, but one which will reflect the real costs more closely. This was impossible under the previous system of deducting the selling price from a uniform fixed price corresponding to marketing costs, a system which operated against Community products from production areas which were furthest from the ports of the importing country and the main marketing centres. However, this rule does not apply to certain Italian citrus fruits, notably oranges and mandarines, since for these products the Council has agreed to retain specific measures favouring the production and marketing of these as well as the processing of certain varieties of oranges.¹

116. The method of determining the entry price, under this system, has also been altered so as to make the recorded prices on which this price is calculated reflect the actual market situation more faithfully. But the most significant and original amendment in this matter concerns the inclusion of the prices for Community products in the calculation of the entry price for those products most at risk (summer pears, tomatoes, cucumbers, dessert grapes and peaches), when there is a high volume of imports which cannot give a meaningful indication of prices. This provision is aimed at the practice, which is particularly widespread in

¹ The Regulations modifying Regulations (EEC) Nos 2511/69 and 2601/69 in this way were adopted by the Council in January 1973.

this sector, of concluding long-term contracts directly between, for example, chains of supermarkets and the exporters, at generally lower prices; this provision enables allowance to be made for the fact that these prices cannot be included in the prices survey which is used to fix the entry price, since the products imported in this way — and the proportion of them is growing — do not go through import markets where the survey is made.

117. Lastly, these amendments to the system of protection in this sector include additions to the protection clause according to a formula — also new — which provides for the application of special protective measures to certain products (cauliflowers, tomatoes, table grapes, peaches, apples and pears — except those of foreign origin) in cases of intervention in the Community markets, when large quantities are involved. In order to implement this provision the Council adopted a Regulation on 19 December 1972 laying down the conditions for applying protective measures for fruit and vegetables;¹ this Regulation, which replaces Regulation No 2514/69, specifies the observation period (7 days) necessary for the application of these measures and their nature, suspension of imports or the levying of an additional amount on importation, and the responsibility of the Commission, in accordance with Management Committee procedure, to take the additional steps to apply it where necessary.

Lastly, the system of export refunds was amended so that they could be fixed on the basis of recorded prices and also of foreseeable prices, which increases the efficiency of the system, particularly at the beginning of the marketing year and for products which are marketed quickly. Furthermore there is an additional provision giving the facility, which is already enjoyed by a number of other agricultural sectors, of fixing the refunds in advance. These amendments have also given rise to additional implementation measures taken by the Council at the same session in the form of a Regulation amending Regulation (EEC) No 2518/69 laying down general rules for the granting of refunds on exports of fruit and vegetables and criteria for fixing their amounts.²

118. Finally, although these are measures designed to affect the production structure, it should be mentioned here that the system of grubbing-up premiums for peach, pear and apple trees was continued as an auxiliary measure to this set of provisions in the fruit and vegetables sector.

¹ Regulation (EEC) No 2707/72, OJ No L 291 of 28. 12. 1972

² Regulation (EEC) No 2455/72 OJ No L 266 of 25. 11. 1972

(c) *Flax and hemp*

119. Under Article 8, para. 1 of Regulation (EEC) No 1308/70¹ the Council adopted the Regulation² laying down conditions for applying protective measures forming part of the system of support established for flax and hemp, and stipulating under what circumstances and to what extent Member States may take interim protective measures.

(d) *Oils and fats*

(i) Oil seeds

120. At its session on 26/27 June 1972 the Council adopted a Regulation³ to bring forward from 1 October to 19 September the beginning of the sunflower seed marketing year, so as to take account of the representative dates for the beginning of the sunflower seed harvest in the main Community production areas.

Furthermore, in connection with the monetary problems facing the Community, at its session of 20 July 1972 the Council had to adopt a Regulation⁴ laying down special measures for colza and rapeseed; these measures consisted chiefly of levying or granting differential amounts for processed or exported seeds, taking account of the effect of the exchange rate on the prices of seeds in different Member States.

(ii) Olive Oil

121. The Council was requested to intervene in this sector on two occasions. In February 1972 it adopted two Regulations on refunds and levies. The first, on the levies on refined olive oil and on certain products containing olive oil,⁵ replaces the former Regulation No 166/66/EEC on criteria for imposing levies on the olive oil concerned, by making two types of amendments concerning the customs nomenclature and the procedure for defining the specification for the refined oils. The second text,⁶ following the replacement of Regulation No 166/66/EEC by the new Regulation mentioned above, consequently amends the reference made to this text in Regulation

¹ OJ No L 146, 4. 7. 1970

² Regulation (EEC) No 1054/72, OJ No L 120 of 25. 5. 1972

³ Regulation (EEC) No 1335/72, OJ No L 147 of 29. 6. 1972

⁴ Regulation (EEC) No 1569/72, OJ No L 167 of 25. 7. 1972

⁵ Regulation (EEC) No 443/72, OJ No L 54 of 3. 3. 1972

⁶ Regulation (EEC) No 444/72, OJ No L 54 of 3. 3. 1972

No 171/67/EEC. The Council intervened a second time in this sector in July 1972, to amend the German text of Regulation No 136/66/EEC where the term 'Jungfernöl' was replaced by the term 'naturreines Olivenöl'.¹

(e) *Cotton seeds*

122. In accordance with Article 1 of Regulation (EEC) 1516/71² on 20 June 1972 the Council adopted the Regulation³ laying down general rules for granting the subsidy for cotton seeds. As the system of aid for cotton seeds is analogous to that for flax and hemp, the Regulation in question is largely based on the provisions of Regulation (EEC) No 619/71 laying down general rules for granting the subsidy for flax and hemp.

(f) *Sugar*

123. During the period under review three proposals were submitted to the Council concerning amendments to be made to the basic Regulation.

The first proposal was for an addition to Article 16, the provisions of which appeared inadequate to meet the risk of disturbances in the supply of sugar at reasonable prices which would not exceed the threshold price, notably in the poorest regions of the Community, and particularly in case of shortage on the world market. In order to mitigate these difficulties the Council, after receiving the Assembly's Opinion, adopted Regulation (EEC) No 607/73⁴ on 23 March 1972.

The second proposal submitted by the Commission to the Council on 8 December 1972, was to extend until 30 June 1975 the intervention system for raw beet sugar. This proposal is being examined by the Council.

The third proposal, which the Council is still examining because of the consultations with the Acceding States and the Assembly, aims at removing uncertainty in the import trade over the correct Common Customs Tariff number for syrups and molasses. It seeks to establish a uniform classification throughout the Community for molasses and

¹ Regulation (EEC) No 1547/72, OJ No L 165 of 21. 7. 1972

² OJ No L 160 of 17. 7. 1971

³ Regulation (EEC) No 1334/72, OJ No L 147 of 29. 6. 1972

⁴ OJ No L 75 of 28. 3. 1972

syrups and to apply the standard levy applicable to molasses of a lesser purity to imports of extremely pure molasses, notably those from developing countries, and syrups for special uses.

(g) *Wine*

124. The basic Regulation on wine¹ which has been in force since June 1970 and subsequently amended on various occasions,² was supplemented in 1972 by a certain number of economic and purely technical texts in order to clarify some of its provisions, to define them more precisely or to make them more readily comprehensible.

The first amendment was Regulation (EEC) No 2680/72³ which the Council adopted on 12 December 1972, after receiving the Opinion of the Assembly and the Economic and Social Committee. One of the main items of this Regulation concerns the extension of the provisions for the organization of the wine market to grapejuice with an added sugar content of less than 30%, which, although it accounts for a considerable amount of the production of the wine trade, had hitherto only been subject to the provisions of the basic Regulation on wine dealing with oenological practices and supply to the market. The Council on a proposal from the Commission, agreed to rule subsequently that grape-juice with an added sugar content exceeding 30%, which is subject to the provisions for the common organization of the market in products processed from fruit and vegetables,⁴ should be included in the basic Regulation on wine in cases where it proved preferable, notably on importation, to include all grape-juice in the same system.

A number of other provisions of this Regulation are aimed at tightening up supervision — to be standardized at Community level — of adherence to the quality requirements stipulated by the basic Regulation and to ensure in this way that wine, whether imported or not, which has undergone oenological treatment prohibited at Community or national level should not be made available for direct human consumption. The new provisions also made it possible to delete 'Diluted alcohols of agricultural origin' (ex 22.09 A in the CCT) from the list of those products mentioned in Article 1 and Annex II of Regulation (EEC) No 816/70. The original intention of making this

¹ Regulation (EEC) No 816/70, OJ No 299 of 5. 5. 1970

² See 19th Review, paragraphs 208 *et seq.*

³ OJ No L 289/72 of 27. 12. 1972

⁴ Regulation (EEC) No 865/68, OJ No L 153 of 1. 7. 1968

item 'others', to include all products of the wine industry whose manufacture infringes the rules governing oenological practices, proved incompatible with the requirements of customs classification.

Furthermore, in the interests of obtaining as exact an overall view as possible on the production potential of the Community's wine-producing areas, it proved advisable to amend Article 17 of the basic Regulation and to lay down that vineyards which were grubbed up or abandoned should be declared in the same way as new plantations and replantations.

125. Furthermore, because of certain difficulties in the table wine trade during 1972, particularly in the southern regions of the Community because of the large harvest from the preceding year, the Council, on a proposal from the Commission and after receiving the Assembly's opinion, inserted into the basic Regulation an Article 6 a¹ which allowed aid to be granted for the restorage of table wines being stored under contract at the beginning of a new marketing year, in order to avoid a drop in prices through putting these wines on the market simply to make room in the cellars for the new harvest.

(h) Living plants and nursery products

126. As mentioned in the last Review,² the Commission submitted to the Council two proposals concerning this sector which would make fundamental alterations to the basic Regulation, one by laying down that the import rules applied by each of the Member States to non-Community countries should be standardized, and the other by defining the conditions under which protective measures should be taken. The difficulties which the first of these proposals in particular raises in certain Member States in providing for the removal of restrictions on imports of living plants and nursery products from non-Community countries have so far prevented the Council from taking a Decision on this matter. The appropriate departments of the Council are still working on these proposals, and also on those relating to the financing of publicity for products in this sector³ and the addition of a further quality category to the quality standards for fresh cut flowers⁴.

¹ Regulation (EEC) No 1651/72, OJ No L 174 of 1. 8. 1972

² See 19th Review, paragraphs 203 and 204

³ See 19th Review, paragraph 204

⁴ Proposal submitted by the Commission to the Council on 20 November 1972

(i) *Milk and milk products*

127. In this sector the Council took steps on three occasions to alter or extend the market organization.

The first time was in February when the Council amended Regulation (EEC) No 2864/71 regarding levies on fresh milk by revoking the limit on the period of application¹. In March 1972 the Council adopted a Regulation making it possible, up to 30 June 1972, to limit exports of skimmed milk powder, because of the special situation in this market, where supplies were short. This Regulation makes it possible to levy taxes on exports of this product, or to suspend them completely or in part². In May 1972, the Council amended Regulation (EEC) No 986/68 laying down general rules for granting aid for skimmed milk and skimmed milk powder for use as feed, by laying down that the additional conditions for the payment of aid could be specified in accordance with Management Committee procedure if this proved necessary, and by clarifying the scope of certain provisions in order to make it easier for Member States to verify the intended use of the products.³

(j) *Beef and veal*

128. On 30 October 1972 the Council decided to consult the Assembly on a proposed Regulation amending Regulation (EEC) No 805/68 concerning the import system in the beef and veal sector. This proposal would make it possible to establish a specific import price for calves and full grown cattle originating in and coming from countries with a trading organization and production system for cattle comparable to those of the Community.

129. On 28 December 1972 the Council also made a further amendment to Regulation (EEC) No 805/68 concerning intervention measures in the beef and veal sector. The intention of this Regulation was to supplement the conditions for intervention by laying down permanent measures to be applied according to procedures suitably adapted to the production system in each Member State. One of these procedures pertains to buying-in by intervention agencies, for which it is laid down that each year, at the beginning of the marketing year, purchasing prices will be fixed by category of product, calculated by applying to the intervention price a coefficient expressing the correct

¹ Regulation (EEC) No 445/72, OJ No L 54 of 3. 3. 1972

² Regulation (EEC) No 646/72, OJ No L 79 of 1. 4. 1972

³ Regulation (EEC) No 1038/72, OJ No L 118 of 20. 5. 1972

ratio between the price of the quality in question and the price of adult bovine animals under normal production circumstances. The Council also made provision for a certain flexibility in the application of optional intervention measures.

Measures in case of shortage

130. In accordance with Article 17 of the basic Regulation, on 30 May 1972 the Council adopted a Regulation laying down the general rules to be applied if beef and veal prices increased significantly¹. This Regulation was intended to define the measures to be implemented if a shortage in the market of Community adult bovine animals should cause a significant increase in prices which was liable to be long term and so to disturb the market.

The first interesting item in this Regulation is the definition of the method for establishing that there has been a significant increase in prices. Two parameters were to be applied, viz. simultaneous increases — above a certain percentage of the guide prices — in the prices recorded on the representative markets of all the Community and those of a Member State. The measures which can be taken when a price rise is recorded are the total or partial suspension of the autonomous Common Customs Tariff duties and of the levies.

131. On 31 July 1972 the Council adopted a second Regulation² to replace the first. This text extends the scope of the previous Regulation to calves, but limits to 50% the percentage of the autonomous Common Customs Tariff duties for these animals which may be suspended.

132. Finally, as part of its counter-inflation measures,³ the Council decided on 31 October 1972 to suspend the autonomous Common Customs Tariff duties and extended Regulation (EEC) No 1654/72 mentioned above to 31 January 1973⁴ and on 21 November 1972, also following from the extension of this Regulation, it decided to suspend levies in this sector.⁵

¹ Regulation (EEC) No 1109/72, OJ No L 126 of 1. 6. 1972

² Regulation (EEC) No 1654/72, OJ L 176 of 1. 8. 1972

³ OJ No C 133 of 23. 12. 1972

⁴ Regulation (EEC) No 2324/72, OJ No L 249 of 4. 11. 1972

⁵ Regulation (EEC) No 2457/72, OJ No L 266 of 25. 11. 1972

(k) *Eggs and poultry*

133. The Council continued its work on implementing the basic Regulations Nos 122/67/EEC¹ and 123/67/EEC² of the Council on the common organization of the market in eggs and in poultry meat, by issuing certain rules on standardization and marketing.

On 27 June 1972 it adopted a Regulation on the production and marketing of eggs for hatching and of farmyard poultry chicks.³ This Regulation, which lays down precise rules on taping and marking so that eggs for hatching can easily be distinguished from eggs for consumption, and to give the breeders exact information on the type and destination of the eggs for hatching and the chickens which they buy, has the other important object of introducing basic legislation on collecting and using the statistical data necessary to provide a better knowledge of market trends in eggs and poultry.

On the same date a certain number of amendments⁴ were also made to Regulation (EEC) No 1619/68 of the Council on marketing standards for eggs.⁵ These basically consist of certain amendments, which have proved necessary in the light of experience, to the rules for marking and taping operative in the trade in eggs for consumption.

The Council has also continued its examination of the proposal submitted by the Commission during the previous business year⁶ concerning a Regulation on certain marketing standards applicable to poultrymeat.

(l) *Fishing industry*

134. In March 1972 the Council enacted a Regulation⁷ amending Regulation (EEC) No 170/71⁸ concerning the statutory provisions on producers' organizations in the fishing industry. The main amendment provides for a minimum period of three years' membership of the producers' organizations before members are free to leave the organization. The appropriate Council departments have also actively continued to examine the Commission's proposals relating to the standardization of certain varieties of fish and frozen shell-fish.

¹ OJ No 117 of 19. 6. 1967

² OJ No 117 of 19. 6. 1967

³ Regulation (EEC) No 1349/72, OJ No 148 of 30. 6. 1972

⁴ Regulation (EEC) No 1348/72, OJ No L 148 of 30. 6. 1972

⁵ OJ No L 258, 21. 10. 1968 and OJ No L 96 of 24. 4. 1969

⁶ See 19th Review, paragraph 183

⁷ Regulation (EEC) No 490/72, OJ No L 59 of 10. 3. 1972

⁸ OJ No L 23 of 29. 1. 1971

3. IN CONNECTION WITH THE TREATY OF ACCESSION OF THE THREE NEW MEMBER STATES

135. In order to inform persons engaged in business of the conditions under which Community Regulations would take effect in the new Member States as from 1 February 1973, and also to allow the Council to complete its work within the required time-limit and to take account of the fact that certain relevant acts could not be formally adopted before this date in accordance with the provisions of the Treaty of Accession, the Council agreed, on 20 July 1972, upon a procedure in the form of a Resolution¹ containing in annex the draft Regulations on which agreement had been reached before accession within the framework of the consultations. Some of the provisions mentioned below in connection with different sectors were also covered by this procedure, and had to be formally adopted after the date of Accession.

(a) Cereals and rice

136. With these aims in mind, on 20 July 1972 the Council took the necessary Decisions to fix the derived intervention prices for cereals for the new Member States for the 1972/73 marketing year and also the system of compensatory amounts necessary to accommodate any price differences during the transition period among the Member States both between each other and between them and the original Community countries, in accordance with the provisions of Articles 51 and 52 of the Act.

- (i) The determination of the principal marketing centres for cereals and the relevant derived intervention prices for certain new Member States

137. On the same date, in accordance with the provisions of Article 153, 51 and 73 of the Act of Accession, the Council adopted the Regulation amending the Regulation relating to the 'regionalization' of the common prices for cereals by inserting in the Annexes to this Regulation the principal marketing centres for cereals in the new Member States and the derived intervention prices applicable in those centres.² In accordance with the rules laid down by Regulation No 131/67 of the Council for deriving prices in the original Community countries, and taking account of the special provisions laid down on this subject in paragraphs 2 and 3 of Article 51 of the Act, it determined

¹ OJ No C 86 of 10. 8. 1972

² Regulation (EEC) No 1724/72, OJ No L 182 of 10. 8. 1972

the derived intervention prices for common wheat and barley for the three new Member States and that of rye for Denmark, since maize and durum wheat are not produced in any significant quantity in any of these States, and thus integrated the three new Member States into the regionalization system for cereal prices.

The intervention prices determined in this way were in two tiers in Denmark, one for the area of over-production (particularly Bandholm, Rønne and Aalborg), and the other for the area of under-production (Aarhus, Esbjerg, Kolding and Odense). Two price levels were also determined for Ireland, one for the centres of under-production, viz. the ports, and the other for the centres of overproduction inland. In the United Kingdom three price levels were set up, one for the ports serving the area of under-production (west coast ports), another for the ports serving the area of excess production (east and south east ports) and the third, derived from these two, operative for the inland production area (Cambridge).

(ii) System of compensatory amounts

138. In accordance with the provisions of Article 55 of the Act and as part of the procedure laid down in its Resolution of 20 July 1972, the Council also approved a draft Council Regulation determining the general rules for the system of compensatory amounts for cereals.¹ The compensatory amounts operative until the end of the 1972/73 marketing year (31 July 1973) for trade between the original Community countries and the new Member States and non-Community countries were determined in accordance with Community Regulations by applying coefficients to the prices so as to compensate for the differences in the prices fixed for common wheat and barley (reference cereals) and the other cereals (durum wheat, rye, oats, maize, millet and grain sorghum). The amounts applicable to products processed from cereals were determined by using the coefficients given in different Regulations adopted by the Council in 1968 and 1969 in order to determine in particular the levies and refunds for 'products processed' from cereals and rice.

It was laid down that they should be reduced, in accordance with the provisions of the Act of Accession, in the course of following marketing years, so that they would come into progressively closer alignment with Community price levels.

¹ OJ No C 86 of 10. 8. 1972

The Regulation in question was formally adopted immediately after the Treaty of Accession came into force and in accordance with the procedures laid down by this Treaty.

On 19 December 1972 the Commission submitted a proposal to the Council for certain amendments to the system of compensatory amounts briefly described above, so as to ensure its smooth working. In particular, the Commission proposed that the compensatory amount for denatured wheat should also apply to trade between the new Member States and non-Community countries and that an export levy should be instituted in order to prevent trade from being diverted.

139. On rice, the Commission submitted a proposed Regulation to the Council on 19 December 1972 which, in accordance with Article 80 of the Act concerning the conditions of Accession and the adjustments to the Treaties, lays down the general rules for the system of compensatory amounts to be valid from 1 February to 31 August 1973, the end of the rice marketing year, to both groups of products, viz. round-grained husked rice, long-grained husked rice and broken rice, and paddy rice, semi-milled rice, wholly milled rice and products processed from rice.

140. Lastly, amended Regulations were submitted to the Council concerning both cereals and rice, viz. on 15 December 1972 in a Commission proposal to determine the general rules on the component for the protection of the cereals and rice processing industry, particularly for the new Member States,¹ in accordance with the provisions of Article 61 of the Act of Accession. This proposal seeks in particular to change the protection components operative in the new Member States on 1 January 1972, which in certain cases were in the form of *ad valorem* duties or quantity restrictions, into a fixed component of a specific nature, in accordance with Community Regulations.

141. Moreover, as regards the calculation of production refunds on starches and quellmehl in the new Member States, Regulation No 371/67 of the Council, fixing production refunds on these products, lays down that in calculating these amounts account must be taken of the common price levels for the basic products. Since the difference between cereal prices in the original Community countries and the three new Member States, is made up by compensatory amounts, in accordance with the provisions of Article 57 of the Act of Accession, the Commission submitted a proposed Regulation to the Council on 19 December 1972, on which the Council delivered its Opinion at the

¹ The protection components for products covered by the common organization of the markets in cereals and rice were fixed by Council Regulations (EEC) Nos 1397/69, 1052/68, 1408/72 and 968/68.

end of the period under review. This supplements Regulation No 371/67 mentioned above by provisions laying down that in calculating the production refunds for the new Member States the compensatory amount is to be deducted.

(b) *Fruit and vegetables*

System of compensatory amounts

142. Article 65 of the Treaty of Accession lays down that compensatory amounts must be fixed for fruit and vegetables on which the new Member State concerned applied quantitative restrictions during 1971, when a basic price is fixed for them in the Community and when the producer price in the new Member State appreciably exceeds the basic price applicable in the Community as originally constituted. Since this applied to apples and pears in the United Kingdom, Ireland and Denmark, the Commission submitted a proposed Regulation to the Council on 19 December 1972 determining the general rules for the system of compensatory amounts for fruit and vegetables.

The Council approved¹ this system at its session of 18/20 December 1972 as part of the procedure laid down in the Resolution mentioned above. Since the common basic prices and the production prices in the new Member States correspond, in the case of apples, to certain varieties, the basic amounts laid down on the basis of the prices mentioned above can therefore only be applied to these varieties and to varieties with approximately the same increased commercial value (Group I). As regards the other varieties, two other categories have been drawn up and the amounts for these have been calculated by applying adjustment coefficients to the amounts for the first category fixed at the overall figure of 0.70 for Group II and 0.45 for Group III. The compensatory amounts apply only to apples and pears to be supplied as fresh fruit to the consumer. Under Article 66 of the Treaty of Accession they will be reduced by 20% each year, starting on 1 January 1974, so as to finally disappear on 1 January 1978.

(c) *Vegetable fats*

143. At its 215th session, held on 20/21 November 1972, the Council adopted a Regulation supplementing Regulation No 1332/72

¹ The Regulation was formally approved in accordance with Article 66, para. 1 of the Act in January 1973 after the Council, on a proposal from the Commission, had amended certain amounts which had been fixed previously.

fixing, for the new Member States,¹ the main intervention centres for oil seeds for the 1972/73 marketing year and the derived intervention prices applicable in those centres. At the same time, as part of these procedure laid down in its Resolution of 20 July 1972,² the Council approved a draft Regulation on the compensatory amounts for colza and rapeseed. As laid down in the Resolution mentioned above this draft Regulation had to be formally adopted by the Council at the time of the accession of the three new Member States.

Lastly, at its 220th session on 18/20 December 1972 the Council adopted a regulation on colza and rapeseed harvested in the United Kingdom and Denmark³ which lays down that intervention in these countries shall be limited to the seeds harvested there.

(d) *Sugar*

144. On 7 November 1972⁴ a number of proposed Regulations were submitted to the Council amending Regulation (EEC) No 795/72 in order to fix derived intervention prices for the 1972/1973 sugar marketing year for white sugar, intervention prices for raw beet sugar and minimum beet prices as they concern the new Member States, determination of the general rules for the system of the compensatory amounts for sugar following the accession of the new Member States to the Community, fixing the marketing price of sugar imported into the United Kingdom under the Commonwealth Sugar Agreement and establishing rules for the implementation of the system of sugar imports into the United Kingdom under the Commonwealth Sugar agreement. These proposals are being examined by the Council's departments.

(e) *Trade arrangements applicable to certain goods resulting from the processing of agricultural products*

145. On 28 December 1972 the Council on a proposal from the Commission adopted the Resolution on determining the procedure for implementing Article 47 of the Act of Accession concerning trade arrangements applicable to goods covered by Regulation (EEC) No 1059/69, without prejudice to the agreements to be concluded with Norway and Finland.

¹ Regulation (EEC) No 2496/72, OJ No L 270 of 1. 12. 1972

² OJ No L 186 of 10. 8. 1972

³ Regulation (EEC) No 2713/72, OJ No L 291 of 28. 12. 1972

⁴ OJ No L 298 of 31. 12. 1972

(f) National tariff sub-divisions for certain agricultural products

146. The Council adopted a Resolution concerning the authorization of the new Member States to retain national subdivisions for certain agricultural products in the Common Customs Tariff nomenclature on the understanding that the provisions in question would not prejudice Regulations which might in appropriate cases be published on the subject as part of the specific provisions of the Act of Accession concerning fruit and vegetables, beef and veal and fishery products.

(g) Milk Products

147. Regarding amendments to Regulations in this sector resulting from provisions of the Act concerning the conditions of accession of the three new Member States, the Council, at its 220th session of 18/19 December 1972, approved four texts of Regulations dealing with the fixing of prices for the 1972/1973 marketing year and the general system of compensatory amounts applicable to trading and also with two specific problems concerning the extension of intervention to cover salted butter and the system of butter and cheese imports from New Zealand.

The Regulation laying down the intervention prices for butter and skimmed milk powder for new Member States ¹ and the Regulation amending Regulation (EEC) No 985/68 laying down general rules for intervention on the market in butter and cream ² were formally adopted.

At the same time, as part of the procedure laid down in its Resolution of 20 July 1972,³ the Council approved two draft Regulations concerning the determination of general rules for the system of compensatory amounts for milk and milk products and the establishment of general rules regarding the import into the United Kingdom of butter and cheese from New Zealand. These two draft Regulations were to be formally adopted by the Council at the time of the official accession of the new Member States to the Community.

(h) Pigmeat

148. In order to take account of the accession of the new Member States it proved necessary, in accordance with the guidelines laid down in Annex II of the Act of Accession, to supplement the list of representative markets for pigmeat in the Community. Regulation

¹ Regulation (EEC) No 2715/72, OJ No L 291 of 28. 12. 1972

² Regulation (EEC) No 2714/72, OJ No L 291 of 28. 12. 1972

³ OJ No L 86 of 10. 8. 1972

No 213/67/EEC¹ was supplemented by Regulation (EEC) No 2708/72 of the Council of 19 December 1972,² so that the list of these markets now also includes the market of Guildford, that of Copenhagen and also the markets of Cavan, Reeskey, Limerick, Roscrea and Cork.

(i) *Maritime Fishing*

149. As part of the provisions of the Act joined to the Treaty of Accession, the Council was requested to fix a guide-price for plaice in Ireland³ a procedure which was not adopted for all the other main varieties of fish, where the system of prices applicable in the original Community was extended to the new Member States. The fixing of a special price for this product in Ireland, which was justified by the appreciably higher price levels in the market in this country, necessitated the introduction of a system of compensatory amounts. As part of the procedure laid down in its Resolution of 20 July 1972⁴ the Council therefore approved a draft Regulation laying down the general rules for the system of compensatory amounts for trade in plaice between Ireland and the other new Member States and the original Community countries. As laid down in the Resolution mentioned above, this draft Regulation was to be formally adopted by the Council on the official accession of the three new Member States.

C — Management of the common organizations of the markets

1. CEREALS AND RICE

(i) Cereal prices

150. Besides agricultural (structural) reform one of the matters of fundamental importance facing the Council at its March 1972 sessions was the fixing of the prices for certain agricultural products, and particularly cereals, for the 1972/73 marketing year. The Decision of the Council, taken after consultation with the Assembly and as part of an overall solution, includes an amendment to the system for fixing cereal prices laid down by the basic Regulation (120/67/EEC) and the import system for importing feedgrain in Italy, and the due fixing of the prices for the different products in this market.

¹ OJ No 135 of 30. 6. 1967

² OJ No L 291 of 28. 12. 1972

³ Regulation (EEC) No 2825/72, OJ No L 298 of 31. 12. 1972

⁴ OJ No L 86 of 10. 8. 1972

The first amendment to the basic Regulation¹ revokes the provision that a basic intervention price should be fixed for durum wheat and maize, of which there was a deficit since, in the light of experience, this system has been replaced by that of fixing single intervention prices operative for all the marketing centres for these two cereals.

The other amendment concerns the special system of imports established by Article 23 of the basic Regulation which allows Italy to reduce the levy on imports from overseas of the main forage cereals by 7.5 units of account per ton.² In order to facilitate the transition from this temporary system to the final system of common prices this Regulation lays down that for marketing years after 1972/1973 the amount by which the levy is reduced will be fixed by the Council, as well as the prices for each marketing year. Proposed Regulations were also submitted to the Council by the Commission on 4 October 1972, one authorizing Member States to grant a subsidy to deliveries of wheat to the Republic of Italy and the other relating to the Community financing of the expenses arising from subsidies for maize deliveries to the Republic of Italy. These proposals are being examined by the appropriate Council departments.

151. Once it had made these amendments to the system of fixing cereal prices the Council determined the actual level of these prices to be operative for the 1972/1973 marketing year.³ As in the previous year the Council raised prices generally in this market, but the rise was even steeper in order to make up as far as possible for the delay which had occurred. The effects of this, in absolute figures and in percentages showing the trend in this field, are given below:

¹ Regulation (EEC) No 796/72, OJ No L 94 of 21. 4. 1972

² See 17th Review, paragraph 91

³ Regulation (EEC) No 797/72, OJ No L 94 of 21. 4. 1972

| Products | Type of price | 1970-1971 Marketing Year UA/t | 1971-1972 Marketing Year UA/t | Percentage difference | 1972-1973 Marketing Year UA/t | Percentage difference compared with 1971-1972 Marketing Year |
|-----------------|---|--|--|--------------------------|--|--|
| Durum wheat | Target price | 125.00 | 127.50 | + 2.0 | 132.60 | + 4.0 % |
| | Basic intervention price | 117.50 | 119.85 | + 2.0 | — | — |
| Common wheat | Guaranteed minimum price to producers at wholesale level | 145.00 | 147.90 | + 2.0 | 153.80 | + 4.0 % |
| | Target price | 106.25 | 109.44 | + 3.0 | 113.80 | + 4.0 % |
| Barley | Basic intervention price | 98.75 | 100.72 | + 2.0 | 104.75 | + 4.0 % |
| | Target price | 95.44 | 100.21 | + 5.0 | 104.25 | + 4.0 % |
| Rye | Basic intervention price | 88.48 | 92.02 | + 4.0 | 95.70 | + 4.0 % |
| | Target price | 97.50 | 100.42 | + 3.0 | 105.45 | + 5.0 % |
| Maize | Basic intervention price | 91.00 | 92.82 | + 2.0 | 97.45 | + 5.0 % |
| | Target price | 95.94 | 96.90 | + 1.0 | 101.75 | + 5.0 % |

Taking into account the target price increases mentioned above and the function assigned to the threshold price, i.e. to ensure that the selling price for imported cereals on the Duisburg market should be the same as the target price, the Council decided on 27 June 1972 to raise the threshold prices for the 1972/73 marketing year by the same proportions as the target prices for these cereals.¹

As regards the 'regionalization' of cereal prices the Council decided ² on 27 June 1972 not to alter the principal marketing centres for the previous marketing year, but to alter the intervention prices for these centres, mainly because of the rise in basic intervention prices fixed for the 1972/73 marketing year and the trend in transport charges.

(ii) Monthly price increases

152. Since the object of the device of 'monthly price increases' for cereals and the principal products processed from cereals was to compensate mainly for storage costs and interest charges for storing cereals in the Community, the Council adopted the Regulation fixing these increases³ on 27 June 1972, and thus took account of the charges by increasing the prices by some 4.90 compared with the previous year, except for the durum wheat price, although this price remained higher than those for the other products since interest charges for storing durum wheat are higher than those for other cereals. Compared with the previous marketing year there were no changes in the number of price increases or in the periods for which they were granted.

(iii) Carry-over payments

153. As in previous years and for the same reasons as given at the time⁴, on 18 May 1972 the Council fixed a compensatory carry-over payment for common wheat, rye of bread-making quality and maize in stock at the end of the 1971/72 marketing year,⁵ granting for cereals the maximum carry-over payment allowed by Article 9 of Regulation No 120/67, i.e. the difference between the target price for the last month of the 1971/72 marketing year and that for the first month of the new marketing year. On the basis of the price levels

¹ Regulation (EEC) No 1405/72, OJ No L 150 of 4. 7. 1972

² Regulation (EEC) No 1406/72, OJ No L 150 of 4. 7. 1972

³ Regulation (EEC) No 1407/72, OJ No L 150 of 4. 7. 1972

⁴ See 19th Review, paragraph 228

⁵ Regulation (EEC) No 1020/72, OJ No L 117 of 19. 5. 1972

decided by the Council for the 1972/73 marketing year these amounts are therefore 5.94 UA per tonne for common wheat, 3.25 for rye and 1.63 for maize.

(iv) Aid for durum wheat production

154. Article 10 of Regulation No 120/67 stipulates that aid for the production of durum wheat shall be equal to the difference between the guaranteed minimum price and the intervention price for this cereal. Since the former was fixed by the Council for the 1972/73 marketing year at 153.80 and the latter at 116.93 u.a. per 1 000 kg, the resultant amount of aid which the Council fixed on 17 July 1972¹ was 36.87 u.a. per tonne for the 1972/73 marketing year.

(v) Extension of powers to make a levy on the export of maize starch residues

155. Following the insertion of products under subheading 23.03 Al² into Annex A of the basic Regulation on cereals, on 15 December 1972 the Commission submitted a proposed Regulation to the Council, on which the Council was not in a position to make a Decision during the period covered by the present Review, amending Regulation No 371/67 of the Council in order to be able to subject the starch products mentioned above to an export levy, where the conditions laid down by the Council in December 1970³ are met.

(vi) Price of rice for the 1972/73 marketing year

156. Although no basic amendments were made to the system of prices to ensure the smooth working of the common organization of the market in rice established by Regulation No 359/65/EEC of the Council during the period covered by the present Review, the trend of production costs and the criteria laid down by the basic Regulation to this end led the Council, after consultation with the Assembly, to effect a certain rise in the price level established by the Council the previous year, as it did for the other cereals.

On 17 April 1972 the Council fixed the target price for husk rice for the 1972/73 marketing year at 21.15 units of account per 100 kg,⁴ which means an increase of 0.95 UA (4,7%) compared with

¹ Regulation (EEC) No 1526/72, OJ No L 162 of 18. 7. 1972

² See 19th Review, paragraph 161

³ Regulation (EEC) No 2273/70, see 19th Review, paragraph 166

⁴ Regulation (EEC) No 798/72, OJ No L 94 of 21. 4. 1972

the previous year. This measure, which was partly in response to the rise in costs of husking paddy rice, also had the object of increasing the intervention price of this product by 4% (to 13.00 UA/100 kg) in order to take account of the general increase in costs and in particular increased rice production costs.²

The threshold prices for husk rice and balkan rice, fixed by the Council on 27 June 1972² in line with the intention of the system, followed the trend of the target prices and basic intervention prices given above. On the other hand the sum to be included in the threshold prices for milled rice, in order to protect the industry, was fixed by the same Regulation at the same level as for the previous year (0.55 UA per 100 kg).

Lastly, on the same date, the Council fixed the monthly price increases for the 1972/73 marketing year for paddy rice at practically the same level as for the previous marketing year (0.120 UA/100 kg) and husked rice prices at 0.150 UA/100 kg (1971/72: 0.140 UA/100 kg) so as to take account of the level of monthly increases for paddy rice and the differential between the two levels.

2. FRUIT AND VEGETABLES

- (i) Consolidation of the various Regulations on the common organization of this market

157. After consultation with the Assembly the Council adopted the Regulation on the common organization of the market in fruit and vegetables³ on 18 May 1972. This embodies the eight basic Regulations adopted in three main stages, viz. 1962,⁴ 1966⁵ and 1969,⁶ which hitherto had formed the basis of the organization of

¹ Regulation (EEC) No 799/72, OJ No L 94 of 21. 4. 1972

² Regulation (EEC) No 1408/ OJ No L 150 of 4. 7. 1972

³ Regulation (EEC) No 1035/72, OJ L 118 of 26. 5. 1972

⁴ Regulation No 23 on the progressive establishment of a common organization of markets in fruit and vegetables and No 65/65 amending the so-called 'reference price' system.

⁵ Regulation No 158/66 on the application of quality standards to fruit and vegetables marketed within the Community and No 159/66 laying down additional provisions for the common organization of the markets in fruit and vegetables

⁶ Regulation No 2512/69 laying down further amendments to the 'reference price' system, No 2513/69 on the coordination and unification of the systems of importing fruit and vegetables applied by each Member State in respect of non-Community countries; No 2515/69 amending numerous items in Regulation No 159/66 and No 1516/69 amending Regulation No 158/66.

the markets in these products. The new Regulation thus incorporates the provisions of the Regulations mentioned above into a single coherent text. Some amendments have been made to the form where necessary but there are no amendments to the content affecting the political or economic nature of the Decisions previously taken by the Council in this matter.

(ii) Basic prices and buying-in prices

158. In accordance with the provisions of the basic Regulation on 'fruit and vegetables' the Council adopted a series of Regulations during the period covered by the present Review fixing the basic prices and buying-in prices for certain products.

Taking account of the large stocks of pears in Italy towards the end of the period for which basic prices and buying-in prices were fixed in 1971 (July 1971 to March 1972),¹ on 23 March 1972 the Council decided by way of exception to extend this period for pears by applying the basic price and the buying-in price for March to April 1972.² On 27 June 1972,³ it fixed prices for pears to be operative for the period 1 July 1972 to 31 January 1973.⁴ For the same reasons, when the Council fixed a basic price and buying-in price for apples for June 1972⁵ it extended by one month the intervention period for apples, for which the prices had been fixed by the Council on 31 July 1972⁶ for the 1972/1973 marketing period. Lastly, during this period, the Council adopted a further series of Regulations fixing the basic prices and buying-in prices for cauliflowers,⁷ tomatoes,⁸ peaches,⁹ lemons,¹⁰ dessert grapes,¹¹ sweet oranges¹² and mandarins¹³ thus determining for the main products in this market the intervention

1 See 19th Review, paragraph 258

2 Regulation (EEC) No 605/72, OJ No L 75 of 28. 3. 1972

3 The prices operative from 1 February 1973 to the end of the marketing year (30 April) will be the subject of a special Regulation on order to take account of the factors relating to the production of pears in the new Member States to which the Treaty of Accession applies from 1 February 1973

4 Regulation (EEC) No 1337/72, OJ No L 147 of 29. 6. 1972

5 Regulation (EEC) No 1009/72, OJ No L 125 of 31. 5. 1972

6 Regulation (EEC) No 1652/72, OJ No L 174 of 1. 8. 1972

7 Regulation (EEC) No 923/72, OJ No L 106 of 5. 5. 1972

8 Regulation (EEC) No 1173/72, OJ No L 130 of 7. 6. 1972

9 Regulation (EEC) No 1174/72, OJ No L 130 of 7. 6. 1972

10 Regulation (EEC) No 1175/72, OJ No L 130 of 7. 6. 1972

11 Regulation (EEC) No 1404/72, OJ No L 150 of 4. 7. 1972

12 Regulation (EEC) No 2430/72, OJ No L 264 of 23. 11. 1972

13 Regulation (EEC) No 2431/72, OJ No L 264 of 23. 11. 1972

price levels to be adhered to by the producers' organizations and the appropriate government bodies in the Member States if they should intervene in the market in these products.

169. Taking into account the general increases in agricultural prices decided on by the Council for the 1972/73 marketing year,¹ the intervention prices for the products mentioned above were also increased by an average of approximately 5%, except for dessert pears and lemons, for which the prices were increased by 2% and 9% respectively.

(ii) Use of products withdrawn from the market

160. On 24 April 1972 the Council adopted the Regulation² amending, for tomatoes, the provision of Regulation No 159/66/EEC laying down that contracts should be awarded for processing tomatoes which have been the subject of intervention measures. In fact experience has shown that, as in the case of pears and peaches withdrawn from the market,³ because tomatoes soon perish, the market may be subject to sudden and concentrated shortages over brief periods, and the tendering procedure, because of the time required in applying it, cannot always provide for the maximum use of tomatoes withdrawn from the market. For this reason the Council decided to permit contracts for processing to be awarded by private agreement. This measure will be reexamined by the Council after a quantity of 20 000 tonnes of tomatoes have been processed according to this procedure.

(iii) Reorganization of the production of certain fruits

161. On 21 November after consultation with the Assembly the Council adopted all the amendments to the basic provisions for this sector⁴ and also a Regulation amending Regulation (EEC) No 2517/69 laying down certain measures for reorganizing Community fruit production⁵ extending once again, although for a short period only, the closing dates for lodging requests for premiums and for completing grubbing for apples, pears and peaches.

¹ See paragraph 100 of the present Review.

² Regulation (EEC) No 846/72, OJ No L 100 of 27. 4. 1972

³ See 19th Review, paragraph 260

⁴ See paragraph 112 of the present Review

⁵ Regulation (EEC) No 2456/72, OJ No 266 of 25. 11. 1972

3. PRODUCTS PROCESSED FROM FRUIT AND VEGETABLES

(i) Trade with non-Community countries

162. Since the work on the unification of import systems applied by each of the Member States in respect of non-Community countries for these products was not complete on 30 June 1972, the Council extended the period of validity of Regulation (EEC) No 1428/71 laying down conditions for applying protective measures for these products¹ to 30 June 1973 (a Regulation which it had adopted in July 1971 so as to be able to intervene effectively in cases where fruit and vegetable preserves, and particularly tomato concentrates, had been imported at abnormally low prices²).

(ii) Calculation of the levy on various additive sugars in fruit and vegetable preserves

163. On 26 July 1972 the Commission submitted a fresh proposal to the Council on this question which arises in the case of preserves containing a high concentration of natural sugar only and which in accordance with the basic Regulation should be exempt from the levy on various additive sugars, a matter which the Council has already discussed in previous years.³ This proposal was submitted to the Assembly for its Opinion but because of the complexity of the problems which it raises the departments of the Council concerned have not yet been able to complete their examination of it.

4. SEED

160. In accordance with the provisions of the basic Regulation on 'Seed' adopted in October 1971⁴ and particularly those provisions ensuring a fair return to the producers concerned, the Council laid down on 20 July 1972 the general rules for fixing reference prices and establishing free-at-frontier offer prices for hybrid maize for sowing⁵ and on 2 August 1972 general rules for granting and financing aid for seed.⁶

The first Regulation lays down the principles and practical provisions necessary to enable the Commission to fix reference prices annually for each type of hybrid maize for sowing. These reference

¹ Regulation (EEC) No 1374/72, OJ No L 149 of 1. 7. 1972

² See 19th Review, paragraph 199

³ See 19th Review, paragraphs 201 and 202

⁴ See 19th Review, paragraphs 154 and 157

⁵ Regulation (EEC) No 1578/72, OJ No L 168 of 26. 7. 1972

⁶ Regulation (EEC) No 1674/72, OJ No L 177 of 4. 8. 1972

prices will be used as parameters, as in the case of fruit and vegetables, for activating the protective measures laid down in the basic Regulation, if the import prices for these products should be below the reference prices.

On the basis of the Council Directive of 14 June 1966 on the marketing of forage seeds,¹ the second Regulation lays down the conditions under which the production of base seed and other seed may receive aid from the EAGGF. On the basis of these rules and after consultation with the Assembly the Council adopted on the same date the Regulation fixing aid for seed for the 1972/73 marketing year.² This aid, which was designed to offset part of the production costs so as to guarantee a fair income to producers, taking account of the situation on the Community market and its foreseeable development, was fixed, for 12 varieties of Gramineae and 5 varieties of Leguminosae, at amounts varying between 5 and 30 UA/100 kg.

On 19 December 1972 the Commission submitted a proposal to the Council providing for the insertion of textile flax (*Linum usitatissimum* L. partim) in the list of products in the Annex to the basic Regulation which are eligible for a production aid. This proposal is being examined by the appropriate Council departments.

5. FLAX AND HEMP

165. The Council fixed aid for flax and hemp for the 1972/73 marketing year.³ This aid, which under Article 4, paragraph 2 of Regulation (EEC) No 1308/70 is fixed per hectare sown and harvested so as to ensure a balance between the required volume of production within the Community and potential outlets for this production, taking into account the price for flax and hemp fibres and seeds on the world market, and of the prices for other competing natural products, is fixed by this Regulation at 135 UA/hectare for flax and 115 UA/hectare for hemp.

6. VEGETABLE FATS

166. The Council was requested to adopt a certain number of Regulations relating to the day-to-day management of the markets for vegetable fats and more especially to the fixing of prices and the main procedures for applying them.

¹ OJ No 125 of 11. 7. 1966

² Regulation (EEC) No 1675/72, OJ No L 177 of 4. 8. 1972

³ Regulation (EEC) No 802/72, OJ No L 94 of 21. 4. 1972

(i) On oil seeds the Council adopted the Regulation¹ at its session on 26/27 June 1972 fixing target and basic intervention prices for oil seeds for the 1972/73 marketing year, which have been fixed at a higher level than for the preceding year; these increases are 3% and 3.1% for colza and rape seed respectively and 4% and 4.1% for sunflower seeds. At the same time the Council adopted the other Regulations on prices — monthly increases and derived intervention prices — and also a Regulation extending the period of the additional subsidy for colza and rape seed processed in Italy, although this was reduced by 0.50 u.a./100 kg.²

(ii) The Council adopted Regulations fixing the target production price for olive oil³ which was increased by some 6 u.a./100 kg compared with the 1971/72 marketing year, and the market target price, the intervention price⁴ and the threshold price⁵ which were increased by 4 u.a./100 kg; the olive oil aid and the standard amount applicable to unrefined olive oil from Greece, remain the same as for the previous year.⁶

The Council took formal note of a report submitted by the Commission on market trends in olive oil in Italy between the marketing years 1966/67 and 1970/71.

7. COTTON

167. The Council fixed the subsidy for cotton seeds for the 1972/73 marketing year.⁷ This subsidy which under the terms of Article 1 of Regulation (EEC) No 1516/71 was established so as to ensure fair returns for the producer, taking account of the market situation and foreseeable market trends, was fixed at 80 u.a./hectare, i.e. an increase of 10 u.a. over the previous marketing year.

¹ Regulation (EEC) No 1331/72, OJ No L 147, 29. 6. 1972

² Regulations (EEC) Nos 1332/72, 1333/72 and 1336/72, OJ No L 147 of 29. 6. 1972

³ Regulation (EEC) No 800/72, OJ No L 94 of 21. 4. 1972

⁴ Regulation (EEC) No 2320/72, OJ No L 249 of 4. 11. 1972

⁵ Regulation (EEC) No 2322/72, OJ No L 249 of 4. 11. 1972

⁶ Regulation (EEC) No 2321/72, OJ No L 249 of 4. 11. 1972, No 2323/72, OJ No L 249 of 4. 11. 1972 and No 2319/72, OJ No L 248 of 1. 11. 1972

⁷ Regulation (EEC) No 801/72, OJ No L 94 of 21. 4. 1972

8. SUGAR

168. As part of its task in managing the common organization of the sugar market the Council was requested to fix the prices for the 1972/73 marketing campaign, to amend certain implementation procedures in the light of experience, and to adopt general rules on the implementation of Community Regulations in certain specific cases.

As regards prices,¹ when the Assembly and the Economic and Social Committee had delivered their Opinions the Council fixed the target price for white sugar at 24.55 UA/100 kg (compared with 23.80 UA per 100 kg for the previous marketing year), the intervention price for white sugar at 23.34 UA per 100 kg (compared with 22.61 UA/100 kg), the intervention price for raw beet sugar at 19.85 UA/100 kg (compared with 19.22 UA/100 kg) and the minimum price for beet at 17.68 UA/tonne and 10.40 UA/tonne for beet outside the quota respectively (compared with 17.00 UA and 10 UA).

The threshold price for white sugar was fixed at 27.05 UA per 100 kg (compared with 26.30 UA/100 kg), for raw beet sugar at 23.73 UA/100 kg (compared with 23.07/100 kg) and for molasses at 3.20 UA/100 kg (unchanged). The Council also fixed the derived prices for Italy and the French overseas departments. The Council also fixed the standard quality for white sugar in Regulation (EEC) No 793/72² of 17 April 1972.

169. On a more technical level the Council supplemented Regulation (EEC) No 206/68 laying down outline provisions for contracts and inter-trade agreements on the purchase of beet by Regulation (EEC) No 225/72 of 31 January 1972,³ particularly as regards the payment of an additional price. In order to ensure equal treatment in the future for sugar exported as such and sugar exported in the form of products not listed in Annex II, the Council amended Regulation (EEC) No 766/68 by Regulation (EEC) No 433/72 of 29 February 1972.⁴

¹ Regulations (EEC) No 795/72 and No 794/72, OJ No L 94 of 21. 4. 1972

² OJ No L 94 of 21. 4. 1972

³ OJ No L 28 of 1. 2. 1972

⁴ OJ No L 53 of 2. 3. 1972

Since it had recently become apparent that the formula for calculating the yield of raw cane sugar did not give the true figure, the Commission submitted a proposal to the Council on 6 December 1972 amending with effect from 1 July 1973 the yield given in Regulation (EEC) No 431/68. This proposal, which is of a technical nature, is at present being examined by the Council departments.

170. The Council also adopted Regulation (EEC) No 226/72¹ on 31 January 1972 laying down conditions for applying protective measures in the market on sugar, comparable to similar Regulations concerning the organization of other markets in agricultural products.

Lastly, because of rising prices and the situation in the world sugar market, the Council adopted Regulation (EEC) No 608/72 of 23 March 1972² laying down rules to be applied in cases of significant prices rises on the world sugar market for the criteria for fixing a special levy, particularly when it is found that supplies to the Community or to a high-consumption region thereof can no longer be maintained from Community resources.

9. WINE

(i) Prices

171. In accordance with the provisions of Articles 2 and 3 of Regulation (EEC) No 816/70³ the Council is bound to fix annually, on a proposal from the Commission, guide prices and threshold prices activating the intervention system for three types of both red and white wine as defined in Regulation (EEC) No 945/70.⁴ Since the establishment of the common organization of the market in wine in 1970 these prices, which apply during a period from 16 December of one year to 15 December on the following year, had been kept at levels which on average corresponded to the prices previously recorded in the different national markets.

Thus these prices were only changed for the third year in which the basic Regulation was valid. In Spring 1972, as part of the annual revision of agricultural prices, on a proposal from the Com-

¹ OJ No L 28 of 1. 2. 1972

² OJ No L 75 of 28. 3. 1972

³ OJ No L 99 of 5. 5. 1970

⁴ OJ No L 144 of 27. 5. 1970

mission and after receiving the Assembly's Opinion, the Council decided to increase the guide prices for wine by an average of 7%¹ in order to take account of the rise in production costs and also the fact that the price of wine is a large item in the agricultural revenue in certain community regions. This rise in the guide prices naturally led to the Decision taken by the Council on 12 December 1972 on a proposal from the Commission to raise the level of activating prices for wine.² This increase, which was particularly pronounced for table wine from the most southern regions of the Community, was also regarded as a measure which would help the long term reorganization of the wine producing market, where, since the end of the 1971/72 marketing year, the prices had generally become firmer, making it possible to set a limit to the conclusion of private storage contracts for several types of wine.

(ii) Intervention system

172. Besides the general improvement in the working of the intervention mechanism after an amendment to the basic Regulation, i.e. the insertion of Article 6 (a) concerning the possibility of granting subsidies at the start of a marketing year for relocating wine in store,³ the Council, on a proposal from the Commission, was forced to adopt the measures for the special distillation of table wines provided for by Article 7 of Regulation (EEC) No 816/70.⁴ This Decision, which initially was only valid for the period from 24 April to 27 May 1972, but which was subsequently extended to 31 July 1972,⁵ appeared justified particularly by the difficulty of finding outlets for wine harvested in Autumn 1971 and for the large stocks resulting from particularly abundant previous years. On the basis of the first special distillation, in Spring 1971, it seemed realistic to estimate that the effect of distilling some 1 500 000 hl of wine in France and Italy would be to restore wine prices which, particularly in the southern Community regions, had been lower than the activation prices for some weeks, even though private storage contracts were still being concluded. In order to ensure that a voluntary distillation programme would be effective, the minimum buying-in price which the intervening bodies were bound to pay for this wine was fixed at 1.10 UA per degree and per hectolitre compared with 1.07 UA in 1971. On the other hand, however, these bodies were entitled to a subsidy from the EAGGF intended to enable the distillates obtained in this way

¹ Regulation (EEC) No 804/72, OJ No L 94 of 21. 4. 1972

² Regulation (EEC) No 2684/72, OJ No L 289 of 27. 12. 1972

³ See paragraph 125 of this Review

⁴ Regulation (EEC) No 766/72, OJ No L 91 of 18. 4. 1972

⁵ Regulation (EEC) No 1098/72, OJ No L 125 of 31. 5. 1972

to be marketed, which amounted to approximately 40 to 45% of the minimum buying-in price for the wine, after adjustment according to the nature of the finished product to be marketed (alcohol or spirits).

(iii) Supervision of production capacity and requirements

173. The basis Regulation on wine provides for two main devices for following trends in availability and requirements in wine very closely.

The first is the final balance of resources and utilization which the Commission submits annually to the Council under the provisions of Article 43 of this Regulation. The balance for the 1970/1971 marketing year, formally noted by the Council at its session of 29/30 May 1972, shows that in spite of a net increase in human consumption due mainly to very low market prices and the absorption of part of the wine production (approximately 7 million hectolitres) by the compulsory distillation of the by-products of the wine industry and voluntary distillation, as part of the measures to reorganize the market in the spring of 1971,¹ the quantities in stock were still large enough to constitute an obstacle to the normal marketing of the 1971/1972 harvest.²

In this connection it may be recalled that the report submitted by the Commission to the Council on 6 April 1972 under Article 17, paragraph 4 of Regulation (EEC) No 816/70, which constitutes the second device for supervising the market situation in wine, leads to the same conclusions as the final balance mentioned above. Nevertheless it should be emphasised that the basic aim of this type of annual report on foreseeable trends in new plantings and replantings and the effect of the latter on the future balance between production and consumption is to give the Council adequate warning of the risk of disturbance of the wine market resulting from an abnormal economic situation or structural surpluses, and to provide it with information on the scope of any remedial measures which the Commission may consider appropriate to restore or maintain a given situation. For this reason the Commission's report emphasised certain short-, medium- and long-term measures which it considered appropriate mainly to mitigate the successive decreases in prices recorded for certain types of table wine from the largest wine producing regions in the Community.

¹ See 19th Review, paragraph 271

² See paragraph 172 of this Review

In the first half of 1972 the Council has on several occasions debated these measures, which could be of great benefit as regards quality and also the restructuring of the wine sector, fiscal coordination and the rationalization of production and marketing.

(iv) Free circulation of wine within the Community

174. At its session of 29/30 May 1972 the Council took formal note of the report submitted by the Commission on the implementation in the Member States of the necessary procedures for managing the wine-producing market. This report shows that Regulation (EEC) No 816/70 has now been fully implemented, as the viticultural land register was also introduced into Italy at the end of 1971.

(v) Quality policy

175. As in previous years,¹ the Council was requested to fix, under Article 24 of the basic Regulation, the price applicable under the system known as 'wine production system' and the share of intervention costs to be borne by the EAGGF. By Regulation (EEC) No 1565/72 of 20 July 1972² the Council, on a proposal from the Commission, fixed this price and aid at 0.696 UA and 0.0814 UA respectively per hectolitre per degree of alcohol, which is an increase of 5% on the amounts for the previous year. The reasons for this increase were increased costs of processing, transport and collection of by-products of wine production. However, it was reduced by comparison with the increase in the guide price for wine³ mainly because of the necessity to intensify the promotion of a quality policy.

In addition, as regards exceptions to the general prohibition from adding alcohol to wine for consumption as such,⁴ the Council, on a proposal from the Commission, adopted Regulation (EEC) No 1564/72⁵ on 20 July 1972 which extends the exceptions mentioned above to cover table wines and quality wines produced in specified regions when they are exported to non-European territories and on condition that they are not redespached to the European territories of Member States. This Regulation also extends until 31 August 1973 the validity of the provisions authorizing the addition of alcohol to wines or grape must intended for the production of wines flavoured with aromatic extracts under CCT reference 22.06.

¹ See 19th Review, paragraph 113

² OJ No L 167 of 25. 7. 1972

³ See paragraph 180 of this Review

⁴ Regulation (EEC) No 1093/70, OJ No L 128 of 12. 6. 1970

⁵ OJ No L 167 of 25. 7. 1972

Lastly, on 15 June 1972 the Commission submitted a proposed Regulation to the Council laying down the total sulphur dioxide content of wine. After consulting the Assembly on this matter the Council debated this proposal on several occasions but was unable to come to a solution acceptable to all the Member States. It was therefore necessary on three occasions to postpone the date on which Regulation (EEC) No 1599/71¹ should enter into force, so as to avoid discrimination between wine producers in non-Community countries, who would have had to conform to the maximum SO₂ contents fixed for imported wines by this Regulation, and the Community wine producers subject to national legislation which in some cases is more flexible than Regulation (EEC) No 1599/71.

10. HOPS

(i) Aid to producers

176. As laid down in the basic Regulation governing this sector,² when the Council adopted the Regulation on 18 May 1972 laying down general rules for granting and financing aid for hop producers,³ the Commission submitted a report on the situation regarding the production and marketing of hops on the basis of which it adopted on 19 December 1972, after consultation with the Assembly, the Regulation laying down, in respect of hops, the amount of the aid to producers for the 1971 harvest.⁴ Since, as the Commission's report shows in several places, the 1971 harvest was particularly notable as one of the worst for the last 20 or 30 years, the Council considered that the aid of 250 UA per hectare proposed by the Commission for the Hallertauer variety should be extended to a number of other varieties⁵ the aid for Strisselspalt being 550 UA/hectare.

(ii) Certificates of origin

177. Work is proceeding in the appropriate Council departments on the draft Regulation relating to certificates of origin for hops, submitted by the Commission in February 1971.⁶ The question of certificates of origin for hops raises numerous technical difficulties,

¹ Regulations (EEC) No 606/72, OJ No L 75 of 28. 3. 1972; No 1373/72, OJ No L 149 of 1. 7. 1972; No 2292/72, OJ No L 248 of 1. 11. 1972

² See 19th Review, paragraph 152

³ Regulation (EEC) No 1037/72, OJ No L 118 of 20. 5. 1972

⁴ Regulation (EEC) No 2717/72, OJ No L 291 of 28. 12. 1972

⁵ Brewers Gold, Hersbrucker Spät, Hüller Bitterer, Northern Brewer, Record, Spalter, Tardif de Bourgogne et Tettninger

⁶ See 19th Review, paragraph 153

particularly concerning extracts of this product, and the appropriate Commission departments will have to do a further general study before a solution can be found.

11. TOBACCO

178. On 17 April 1972 the Council adopted a Regulation fixing the norm price, the intervention price and the reference qualities for leaf tobacco from the 1972 harvest.¹ This Regulation of the Council maintains most of the prices fixed for the previous year, altering only those where the market situation has changed. Subsequently, on 29 November 1972 it adopted two Regulations fixing the intervention prices and reference qualities respectively for packaged tobacco² and premiums granted to purchasers of leaf tobacco,³ valid for the same marketing year.

12. MILK AND MILK PRODUCTS

179. The main feature of the period covered by the present Review was an increase in surplus butter compared with the previous year, and the Council was requested to intervene in order to fix the pricing system applicable to the 1972/73 marketing year, and to amend certain specific items in the existing Regulations.

180. As regards prices, the Council decided at its 191st session held on 13/16 and 20/24 March 1972 to increase the target price of milk⁴ from 10.90 UA/100 kg to 11.77 UA/100 kg. There was a corresponding increase of 8% in the support level. This increase was the result of the increase in intervention prices for skimmed milk powder, skimmed milk and butter and Grana Padano and Parmigiano Reggiano cheeses.⁵ In view of the market situation this increase was made in two stages, i.e. on 1 April, divided between butter and skimmed milk powder at the rate of 1/4 for butter and 3/4 for powder, and on 15 September when there was an additional increase in the intervention prices for butter and Grana Padano and Parmigiano Reggiano cheese. Lastly the aid granted to skimmed milk intended for use as feed was maintained unchanged for liquid skimmed milk but increased from 13 UA/100 kg to 17.62 UA/100 kg for skimmed milk powder.⁶

¹ Regulation (EEC) No 805/72, OJ No L 94 of 21. 4. 1972

² Regulation (EEC) No 2484/72, OJ No L 269 of 30. 11. 1972

³ Regulation (EEC) No 2483/72, OJ No L 269 of 30. 11. 1972

⁴ Regulation (EEC) No 647/72, OJ No L 79 of 1. 4. 1972

⁵ Regulation (EEC) No 648/72, OJ No L 79 of 1. 4. 1972

⁶ Regulation (EEC) No 649/72, OJ No L 79 of 1. 4. 1972

181. The Council made two sets of amendments to the milk Regulations, viz. measures to reduce butter surpluses and some purely technical amendments.

Regarding the first set of amendments, in December 1972 the Council adopted a Regulation¹ laying down general rules for measures to increase the use of butter by certain classes of consumers. This Regulation, which is valid until 31 December 1973, makes it possible for aids to be granted to enable persons receiving social assistance to purchase butter at reduced prices. In October 1972 the Council had requested the Commission to take measures within the Community to enable butter to be sold from private or public stocks up to 1 April 1973, either as such or as butter oil.

The technical amendments were three sets of amendments which the Council made to Regulation (EEC) No 823/68 determining the groups of products and the special provisions for calculating levies on milk and milk products. The purpose of these amendments was to amend the descriptions of certain goods and to amend the free-at-frontier values of certain cheeses,² to increase minimum prices for kashkaval and cheese of buffalo or sheep's milk as part of the general increase in prices for cheeses³ and finally to limit autonomously to 6% of the customs value the levy on Glaris herb cheeses (known as Schabziger).⁴

13. BEEF AND VEAL

(i) Prices

182. On 30 March 1972, the Council adopted Regulation (EEC) No 651/72 fixing guide prices for calves for the 1972/73 marketing year. The purpose of this Regulation is to retain the guide price of 94.25 UA, which was operative in the preceding year, for this marketing year. The guide price for adult bovine animals had been fixed at 75 UA/100 kg live weight by the Council Regulation (EEC) No 672/71 of 30 March 1971.⁵

In addition, on 31 July 1972, the Council adopted a Regulation amending the guide prices for calves and adult bovine animals

¹ Regulation (EEC) No 2716/72, OJ No L 291 of 28. 12. 1972

² Regulation (EEC) No 650/72, OJ No L 79 of 1. 4. 1972

³ Regulation (EEC) No 2138/72, OJ No L 229 of 7. 10. 1972

⁴ Regulation (EEC) No 2687/72, OJ No L 289 of 27. 12. 1972

⁵ OJ No L 79 of 1. 4. 1972

operative for the 1972/73 marketing year.¹ By this Regulation the Council decided that as from 15 September 1972 these guide prices would be fixed as follows: calves (96.50 UA/100 kg live weight), adult bovine animals (78 UA/100 kg live weight).

183. Lastly, on 28 December 1972, the Council adopted a Regulation² amending Regulation (EEC) No 1653/72 in order to fix guide prices for calves and adult bovine animals to be operative in the new Member States for the 1972/73 marketing year. Since the Council considered that the implementation of the provisions of the Treaty of Accession allowed uniform prices to be fixed for Ireland and the United Kingdom and prices for Denmark to be fixed at Community levels, it decided by this Regulation that the guide prices operative for Ireland and the United Kingdom of Great Britain and Northern Ireland would be as follows: calves (83 UA/100 kg live weight) and adult bovine animals (67 UA/100 kg live weight).

(ii) Specific medium term measures

184. One of the proposals concerning the fixing of prices for certain agricultural products and the granting of income aids to certain classes of farmers, and which was also submitted to the Council on 4 February 1972, was to establish a system of premiums to encourage the production of beef and veal. The Council decided to consult the Assembly and the Economic and Social Committee on this proposal. These bodies delivered their Opinion on 13 March 1972 and 24 February 1972 respectively.

The Council has examined this proposal on several occasions during the year under review. At its session of 30/31 October 1972 an amended proposed Regulation was submitted by the Commission establishing a system of premiums to encourage beef and veal production and premiums for converting from dairy herds to beef and veal herds. The object of this text is to express as a formal proposal from the Commission various suggestions from the appropriate Council departments made by the representative of the Commission after discussions held by the special Agricultural Committee and the Council (premiums for slaughtering heifers when they have calved once, for rearing calves from pedigree bulls for beef and veal, and for converting dairy farms to beef and veal production). In this connection it should

¹ Regulation (EEC) No 1653/72, OJ No L 174 of 1. 8. 1972

² Regulation (EEC) No 2823/72, OJ No L 298 of 31. 12. 1972

be mentioned that the Council, in its Resolution of 5 December 1972 on measures to be taken against inflation, had decided to adopt 'without delay . . . measures intended to promote the production of beef and veal'.¹

(iii) Frozen meat estimate

185. In accordance with Article 14, paragraph 2 of the basic Regulation, on 11 December 1972 the Council adopted the estimate of the meat intended for the processing industry for the period 1 January to 31 December 1973. This estimate forecasts a deficit of 211 000 tonnes for 1973.

(iv) Quota measures

186. On 10 November 1972 a proposed Regulation was submitted to the Council opening, allocating and providing for the administration of the Community Tariff quota of frozen beef and veal falling within subheading No 02.01 A II (a) of the Common Customs Tariff (1973). On 20 November 1972 the Council decided to consult the Assembly on this proposal, and this is still being examined, mainly because of the allocation problems arising from the enlargement of the Community.

187. As in previous years the Council adopted Regulations opening, allocating and providing for the administration of the Community tariff quotas at a fixed duty under GATT, viz:

(a) the Community tariff quota of 20 000 head of heifers and cows other than those intended for slaughter, falling within subheading No 01.02 A II (b) 2 of the Common Customs Tariff² at a fixed duty of 6%. Because of the special factors to be considered, both geographical and zootechnical, a first instalment of the quota amount was allocated among three Member States only, France, Germany and Italy, who were allotted 2 750, 7 000 and 4 250 head respectively; the remainder forms a reserve in case of any increase in imports of these animals.

(b) The Community tariff quota of 5 000 head of bulls, cows and heifers, other than those intended for slaughter, or certain mountain breeds falling within subheading No ex 01.02 A II (b) of the Common Customs Tariff,³ at a duty of 4%. This quota will be allocated on the

¹ OJ No C 133 of 23. 12. 1972

² Regulation (EEC) No 1464/72, OJ No L 156 of 12. 7. 1972

³ Regulation (EEC) No 1465/72, OJ No L 156 of 12. 7. 1972

same basis as the previous quota, the first instalment being allocated as follows: France 100 head, Germany 200 head and Italy 3 800 head. The choice of management system is left in each case to each Member State for the quota allocated to it.

14. PIGMEAT

188. Decisions on the common organization of these markets have been concerned with fixing prices and certain technical improvements in Community Regulations. As regards prices, the Council, taking particular account of the effect of increased feedgrain prices on the cost of producing pigmeat, adopted Regulation (EEC) No 803/72 of 17 April 1972¹ fixing the basic price for the 1972/73 marketing year at 82.5 UA, i.e. an increase of 2.5 UA compared with the preceding reference period.

As regards technical amendments to Community Regulations the Council considered, as far as the FRG was concerned, that greater account should be taken of those markets on the list of representative markets for pigmeat which are in the production regions, and accordingly it amended this list by Regulation (EEC) No 224/72 of 31 January 1972.² It also amended Regulation No 134/67/EEC³ as regards the standard amounts for calculating the sluice-gate prices for pig carcasses by Regulation (EEC) No 2139/72 of 30 October 1972⁴ so as to take account of the increase in world market prices for feedstuffs rich in protein and the increase in general production and marketing costs.

15. FISHERY PRODUCTS

189. 1972 was the second fishing year under a Community system for marketing fishery products and organizing the market. When the 1972 fishing year prices were fixed, the Council, in the absence of sufficient data on price trends, maintained the price operative for the 1971 fishing year, and it therefore proved necessary in July 1972⁵ to effect an interim price increase for fresh fishery products. Subsequently in, December, when the prices were fixed for

¹ OJ No L 94 of 21. 4. 1972

² OJ No L 28 of 1. 2. 1972

³ OJ No L 120 of 21. 6. 1967

⁴ OJ No L 229 of 7. 10. 1972

⁵ Regulation (EEC) No 1563/72, OJ No L 167 of 25. 7. 1972

the 1973 fishing year, all the prices, i.e. guide prices for fresh¹ and frozen² products, the Community producer price of tunny³ and intervention prices for sardines and anchovies⁴ were increased to take account of the increased prices recorded during the reference period.

D — Trade arrangements

1. PRODUCTS NOT SUBJECT TO THE COMMON ORGANIZATION OF THE MARKET

(a) Measures in connection with non-Community countries concerning potatoes

190. Following its Resolution on measures to be taken against inflation, and more specifically section VII,⁵ on 6 December 1972 the Council adopted the Regulation on measures to be taken to overcome the shortage of potatoes.⁶ This Regulation suspended, until 15 February 1973, all quantitative restrictions and measures having equivalent effect in Member States on imports of potatoes from non-Community countries.

(b) Minimum prices

191. For the reasons which lead the Council in December 1971 to extend for one year the system of minimum prices and taxes which could replace them for products not subject to a common organization of the market,⁷ a system established by the Council Decision of 20 December 1969,⁸ it decided, after consulting the Assembly, on 19 December 1972, to authorize Member States once again to apply these measures⁹ up to 31 December 1973 in intra-Community trade, thus allowing France to apply minimum prices to potatoes for storage and Belgium, France, the Federal Republic of Germany and Luxembourg to apply them to potatoes and fresh vegetables, and allowing them to apply countervailing charges to replace the minimum prices,

¹ Regulation (EEC) No 2709/72, OJ No L 291 of 28. 12. 1972

² Regulation (EEC) No 2709/72, OJ No L 291 of 28. 12. 1972

³ Regulation (EEC) No 2709/72, OJ No L 291 of 28. 12. 1972

⁴ Regulation (EEC) No 2709/72, OJ No L 291 of 28. 12. 1972

⁵ OJ No C 133 of 23. 12. 1972

⁶ Regulation (EEC) No 2565/72, OJ No L 275 of 8. 12. 1972

⁷ See 19th Review, paragraph 288

⁸ OJ No L 328 of 30. 12. 1969

⁹ OJ No L 291 of 28. 12. 1972

allowing France to apply minimum prices to seed potatoes, and allowing Germany to apply minimum prices to edible vinegars and edible substitutes therefor, other than wine vinegar.

2. CERTAIN PRODUCTS PROCESSED FROM AGRICULTURAL PRODUCTS

192. The Council made certain amendments to the basic Regulation (EEC) No 1059/69 in the light of experience, consolidated the Regulations on the granting of refunds and made technical amendments to certain implementation procedures.

193. On 23 March 1972 the Council therefore adopted Regulation (EEC) No 609/72¹ supplementing Regulation (EEC) No 1059/69 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products. This Regulation established a procedure for giving the Commission power, after consulting the Member States, to make certain goods — and particularly transactions mentioned in Regulation (EEC) No 1059/69 and involving a large quantity of basic agricultural products — subject to measures (for example import duties) which might be applied to the exportation of these products, if such exports were likely to frustrate the provisions concerning the basic agricultural products. The Commission considered that the procedure laid down in Article 14, paragraph 4 of Regulation (EEC) No 1059/69 and the six month period of validity for the measures taken under this Article were not very appropriate to the circumstances. The measures which may be taken under the new Article 9 A of Regulation (EEC) No 1059/69 adopted by the Council are basically concerned with the mixtures listed in various Common Customs Tariff subheadings (18.06, 18.07 etc.) which, because of the high content of a given basic product, could have the same end uses as the basic product, either as such or after separating their ingredients. To implement this new procedure the Commission submitted to the Council on 6 April 1972 Regulation (EEC) No 677/72 which it had adopted for skimmed milk powder contained in certain export products not listed in Annex II.

194. In adopting Regulation (EEC) No 2682/72 of 12 December 1972² laying down general rules for granting export refunds on certain agricultural products exported in the form of goods not covered by Annex II to the Treaty, and the criteria for fixing the amount of such refunds, the Council consolidated all the provisions adopted on this

¹ OJ No L 75 of 28. 3. 1972

² OJ No L 289 of 27. 12. 1972

subject since 28 January 1969¹ and took the opportunity to lay down special rules for egg and milk protein, to revoke Article 10 of Regulation (EEC) No 204/69 which was rendered invalid by the implementation of the Council Directive of 4 March 1969 (inward processing system), to add to the provisions governing advance fixing of prices (mechanism for suspending this process) and to make certain editorial corrections and amendments.

At the time of taking this Decision it was also agreed that when the Commission or a Member State considered it necessary to consolidate the Regulations again it would make a submission to the Council.

195. In the light of its experience the Council, on a proposal from the Commission, adopted Regulation (EEC) No 446/72 of 29 February 1972² amending Regulation (EEC) No 2831/71 on the imposition of an export duty on certain goods mentioned in Regulation (EEC) No 1059/69. It appeared that the definition of goods subject to export duty laid down by this Regulation included a certain number of products in which there was an established trade and which are packed in immediate packing. The new proposed definition of the goods covered by these Regulations must prevent exporters from the Community from being treated differently according to the type of package they use.

E — Agricultural surveys and statistics

1. STANDING COMMITTEE FOR AGRICULTURAL STATISTICS

196. In order to facilitate the implementation of Acts adopted by the Council relating to agricultural statistics and cooperation in this field between Member States and the Communities, on 31 July 1972 the Council set up a Standing Committee for Agricultural Statistics.³

2. FARM ACCOUNTANCY DATA NETWORK

197. In accordance with the guidelines laid down in Annex II of the Act of Accession of the new Member States to the Community,

¹ Regulation (EEC) No 204/69, OJ No L 29 of 5. 2. 1969

² OJ No L 54 of 3. 3. 1972

³ OJ No L 179 of 7. 8. 1972

the Council decided to increase to 13 600 the number of farm units whose accounts are to be collected and it added the district ins each new Member State to the existing list.

The Commission submitted its first General Report to the Council on the operation of the farm accountancy-data network for the European Economic Community network for the 1968/69/70 financial years. The Council will be requested to deliver its Opinion, on the basis of this Report, on proposals concerning amendments or additions to be made to Regulation No 79/65/EEC, particularly concerning the field of survey and the number of farm units whose accounts are to be collected for the enlarged Community, since the network constitutes one of the guideline components of the Common Agricultural Policy.

3. STATISTICAL SURVEYS ON MILK AND MILK PRODUCTS

198. After a year of preparatory work the Council adopted at its session on 17/18 July 1972 Directive No 72/280/EEC on the statistical surveys to be made by Member States on milk and milk products,¹ and a Decision setting up a Standing Committee for Agricultural Statistics. The surveys laid down by the Directive include weekly, monthly, annual and triennial data on the most important products in this sector to be supplied to the Commission by Member States. The adoption of this Directive is a significant advance in enabling precise, uniform and up-to-date information to be made available to the Commission on market trends in milk and milk products in the Community.

4. STATISTICAL SURVEYS ON BOVINE ANIMAL HERDS

199. On 18 May 1972 a proposed Council Directive was submitted to the Council concerning statistical surveys on bovine animal herds, estimates of the availability of bovine animals for slaughter and slaughter statistics for bovine animals to be drawn up by the Member States. On 23 May 1972 it decided to consult the Assembly and, optionally, the Economic and Social Committee, on this proposal. These two bodies delivered their Opinions on 3 July 1972 and 22 February 1973 respectively. In order to take account of the Assembly's Opinion, on 29 December 1972 the Commission submitted a proposed amendment to the Council in accordance with Article, 149 paragraph 2 of the Treaty. This is under examination.

¹ OJ No L 179 of 7. 8. 1972

F — EAGGF financing

1. EAGGF, GUIDANCE SECTION, AID FOR 1972 (9TH INSTALMENT)

200. Regulation No 847/72, adopted on 24 April 1972 by the Council¹ on a proposal from the Commission and after the Assembly had delivered its Opinion, retains the main features of the 1971 system.² It will allow certain measures to be financed which mainly concern the organization of milk and fruit production, and individual projects designed wholly or in part to improve the agricultural structure (projects within the meaning of Article 13 of Regulation 17/64). Lastly, the Regulation lays down that an additional reserve to that of previous years should be set up by financing common measures concerned with the agricultural structure (cf. Article 6 of Regulation (EEC) No 729/70).

2. AMENDMENT OF ARTICLE 6 OF REGULATION (EEC) 729/70 ON THE FINANCING OF THE COMMON AGRICULTURAL POLICY

201. On 28 December 1972 the Council adopted Regulation (EEC) No 2788/72³ amending Regulation (EEC) No 729/70 on the financing of the Common Agricultural Policy. This Regulation adjusts the credits of the guidance section of the EAGGF to 325 million units of account from 1 January 1973, in order to meet increased requirements in the enlarged Community.

3. EXTENSION FOR THE YEARS 1971, 1972 AND 1973 OF CERTAIN TIME-LIMITS FOR GRANTING AID FROM THE GUIDANCE SECTION OF THE EAGGF

202. In view of the Commission's delay in making Decisions on aid from the Guidance Section of the EAGGF for 1971 and 1972, and because the dates for submitting applications for this aid had already been postponed, the Council, on a proposal from the Commission and after the Assembly had delivered its Opinion, adopted Regulation (EEC) No 2140/72 of 3 October 1972 postponing the time limits for taking a Decision on aid from the Fund to 31 December 1972 and 30 September 1973 respectively. This Regulation also postpones the time limit for the submission of applications for aid for the year 1973 to 30 June 1973.

¹ OJ No L 100 of 27. 4. 1972

² Cf. p. 120 of 19th Review of the Council

³ OJ No L 295 of 30. 12. 1972

4. GENERAL RULES FOR FINANCING INTERVENTION BY THE GUARANTEE SECTION OF THE EAGGF

203. Taking account of the fact that, under Article 3, paragraph 2 of Regulation (EEC) No 729/70, the rules governing the financing of intervention in the different agricultural sectors which were drawn up in accordance with the provisions of Regulation 17/64/EEC, were abrogated on 31 December 1972¹ the Council, on the basis of Article 3, paragraph 2 of Regulation (EEC) No 729/70 adopted on 29 December 1972, on a proposal from the Commission the Regulation on the general rules on the financing of intervention by the guarantee section of the EAGGF.²

The Regulation has two main features. It contains a list of measures which are interventions intended to stabilize the agricultural markets within the meaning of Article 3 paragraph 1 of Regulation (EEC) No 729/70, and it also lays down that expenditure resulting from intervention measures, for which a sum per unit has been fixed within the framework of the common organizations of markets, should be met entirely from Community funds. However, this general provision does not apply to intervention for which an overall amount has not been fixed within the framework of the organization of the market. Although it has been confirmed in general that such measures will be financed from the Communities' own resources, the multiplicity of problems which these measures raise is liable to call for some very sophisticated solutions. The Regulation lays down that the Council, on a proposal from the Commission will, before 1 April 1973, adopt the general rules for the financing from own resources of the intervention measures mentioned above, since these should enter into force by 1 January 1974. Meanwhile the provisions governing intervention in the different sectors concerned remain in force.

G — Harmonization of provisions laid down by law, regulation and administrative action

1. GENERAL REVIEW

204. During the period under review the Council has continued its work of aligning national legislation in Member States and removing barriers to trade, on the basis of Articles 43 and 100 of the Treaty,

¹ Regulation (EEC) No 1566/72, OJ No L 167 of 20. 7. 1972, p. 5

² Regulation (EEC) No 2824/72, OJ No L 298 of 31. 12. 1972

in the various agricultural sectors listed below. To a large extent this work lies in implementing the Council Resolution of 12 March 1968 on measures to be taken in the veterinary field¹ and its Resolution of 28 May 1969 setting up a programme to remove technical barriers to trade in foodstuffs.² Furthermore, at the end of this year, in its Resolution of 5 December 1972 on measures to be taken against inflation, Section IX³ reaffirmed its intention, with the participation of the Acceding States, to finalize in the fairly near future the coordination of national laws which, because of their divergences, were still restricting intra-Community trade in foodstuffs, particularly on grounds of hygiene and public health.

205. It has been possible to make Decisions principally in the veterinary field and on seeds and seedlings after consulting the Acceding States. In other cases a joint policy has emerged from the delegations of the original Member States although the Council has not been able to complete that part of its work. Furthermore, the Council's work has been supplemented to a large degree by projects for coordinating the attitude of Member States towards standards worked out by the FAO/WHO.⁴

2. VETERINARY LEGISLATION

206. On 7 February 1972 the Council extended up to 31 December 1975 the facility, afforded to countries of destination, of granting, under certain conditions, general authorization or authorizations restricted to specific cases for the introduction into their territory of bovine animals for slaughter less than 30 months old. To this end it adopted a Directive⁵ extending the period set in Article 7, paragraph 1, subparagraph C of the Directive of 26 June 1964 on animal health problems affecting intra-Community trade in bovine animals and swine.

207. On 12 December 1972 the Acceding States took part in a session at which the Council adopted a Directive on health problems affecting intra-Community trade in fresh meat.⁶ In 1969, when a Directive was adopted amending the Directive of 26 June 1964 on

¹ OJ No C 22 of 18. 3. 1968

² OJ No C 76 of 17. 6. 1969

³ OJ No C 133 of 23. 12. 1972

⁴ Cf. para. 219 (see item 1, general Review above)

⁵ Directive No 72/97/EEC of the Council, OJ No L 38 of 12. 2. 1972

⁶ Directive No 72/461/EEC of the Council, OJ No L 302 of 31. 12. 1972

health problems affecting intra-Community trade in fresh meat, the Council had decided to extract the provisions on veterinary inspections from the Commission's proposal, so as to deal with them separately from the hygiene provisions. In adopting the Directive on veterinary inspections, it supplemented the existing procedure and at the same time removed the discrepancies among the Member States concerning Regulations on the veterinary inspection of meat. The text adopted laid down in particular that the only fresh meat acceptable for intra-Community trade was that of animals which had remained in Community territory for 21 days or had come from a holding which was not subject to any animal health restrictions. To this end it was laid down that fresh meat which did not comply with Community Regulations would not be marked as being free from disease as required for intra-Community trade, and would not be put into circulation in the territory of the importing Member State but re-exported, unless instructions to the contrary were given. Lastly, Member States retain the right to use the appropriate procedure laid down to prohibit the importation into their territory of fresh meat from a country or region of a country where an epizootic disease has appeared.

The adoption of this Directive, which creates conditions for the free circulation of fresh meat in the Community, is in line with Chapter IX of the Council Resolution on measures to be taken against inflation.¹ The new Member States have a transition period of 3 to 4 years for implementing this Directive, during which they will be able to continue to apply their own regulations on the prevention of foot and mouth disease and swine fever.

208. On the same date the Council also adopted a Directive on health and veterinary inspection problems upon importation of bovine animals and swine and fresh meat from non-Community countries.²

This text lays down that by 1 January 1976 at the latest a Community system must be introduced laying down health conditions for the importation of bovine animals and swine and fresh meat from non-Community countries. In this act the Council laid down the general health conditions deemed necessary by the Community for the protection of human health and the safety of its herds, for allowing importation of these animals from non-Community countries or regions of these countries, a list of which the Council will draw up later on the basis of health guarantees offered by these countries. These general conditions concern the state of health of the animals, the organization

¹ Cf. para. 51 of this Review

² Directive No 72/462/EEC, OJ No L 302 of 31. 12. 1972

and powers of the veterinary services and existing health Regulations. The supervision of animal imports into the Community will in future take place at the Community frontier; its object will be to check that the Community's conditions are being complied with and in particular to check on the origin and the state of health of the animals. Nevertheless, Member States will still have the right to carry out additional checks at their frontier or at any other point in their territory which may be necessary. On the basis of these checks, Member States will be able to take the necessary health measures for the protection of human and animal health when the animals arrive on Community territory or during the journey to their destination. In the same way fresh meat can only be imported from approved establishments, a list of which will be drawn up later by the Standing Veterinary Committee on the basis of the guarantees mentioned above concerning imports of animals.

In general the Member States will adopt a joint attitude to prohibit on health grounds the introduction into the Community of certain fresh meat, and particularly meat containing residues of certain substances which are harmful or are likely to make the consumption of the meat dangerous or harmful to human health. Fresh meat, which must be accompanied by an animal health certificate and a public health certificate, must be given an animal health inspection upon arrival in Community territory. This practice will make it possible to prevent the transportation of fresh meat which is not accompanied by these certificates, and which is from non-Community countries from which importation of fresh meat would be prohibited, or whose animal health certificates are not acceptable. Furthermore, to ensure that Community Regulations are being adhered to and to prevent the importation of meat which is dangerous to human health, each consignment of fresh meat must be given a public health inspection on importation and an animal health inspection carried out by an official veterinarian. These inspections will be carried out in a uniform manner according to procedures which will be laid down later.

Following these inspections — except where meat is to be cut in an approved cutting plant — fresh meat which has been allowed into a Community Member State must be accompanied by an official certificate to the effect that the conditions of importation into the Community have been fulfilled, when the meat is transported to another Member State.

Importation inspections for animals and fresh meat must be carried out at approved posts, in accordance with certain criteria and Community procedure. It will be the responsibility of Community veterinary experts to check, particularly in non-Community countries, that the guarantees required by the Community are being fulfilled.

209. On 29 December 1972¹ the Council amended the Council Directive of 26 June 1964 relating to intra-Community trade in bovine animals and swine, to take account of the enlargement of the Community. The main object of this amendment is to add to the various certificates laid down in the Directive an indication for each new Member State of the status of the person designated in these States to sign the certificates.

210. During 1972 the various Council Departments have continued to examine proposed Regulations in consultation with the Acceding States: these concerned health problems affecting intra-Community trade in meat products, health inspection problems affecting intra-Community trade in meat products, health conditions and health inspection conditions which whole raw milk should meet as a raw material for the preparation of heat-treated milk and its derivatives, and health problems concerning the production and marketing of heat-treated milk.

211. On 30 October 1972 the Council decided to consult the Assembly on a proposed Council Decision on an act to protect Community herds against foot-and-mouth disease. At that time it also decided to submit to the Assembly for its information a draft Council Resolution on measures to be taken by the Community to prevent exotic foot-and-mouth disease viruses. These proposals were necessitated by fresh outbreaks of type A 22 foot-and-mouth disease, particularly in Greece and Turkey.

3. LEGISLATION ON FOODSTUFFS

212. Work has continued on examining the problems in this sector on a proposed Directive to supplement the lists of authorized additives for all foodstuffs, and various Commission proposals, each concerning Regulations for a specific class of foodstuffs. This has produced a consensus among the Six on 'emulsifying and stabilizing agents', 'products of cocoa and chocolate', and 'certain sugars intended for human consumption'. A fresh examination of these draft texts was started immediately as part of the interim procedure for consulting with the Acceding States.

213. On 26 December 1972 the Council adopted a Directive containing the eighth amendment² to the Directive on the approximation

¹ Directive No 72/445/EEC, OJ No L 298 of 31. 12. 1972

² Directive No 72/444/EEC, OJ No L 298 of 31. 12. 1972

of the laws of the Member States concerning the preservatives, authorized for use in foodstuffs intended for human consumption.¹ This amendment extended up to 1 January 1974 the provisional authorization of some of the additives mentioned by the Directive because the scientific investigations which they are at present undergoing have not yet led to any certain conclusion as to whether they are harmless or toxic.

4. LEGISLATION ON ANIMAL FEEDINGSTUFFS

214. On 20 July 1972 the Council adopted an amendment² to the Directive on the introduction of Community methods of sampling and analysis for the official control of feedingstuffs.³ This amendment confirms that the procedure will be retained whereby methods of sampling and analysis are laid down in conjunction with the Standing Committee for Feedingstuffs in the sector concerned. This procedure, which at first was limited to a probationary period of 18 months, has proved entirely satisfactory.

215. On the basis of the Opinions delivered by the Assembly and the Economic and Social Committee, the Council examined two proposals submitted by the Commission in 1971⁴ on the fixing of maximum contents of undesirable products and substances in feedingstuffs, and the other on general rules governing definitions, ingredients and marking for the marketing of animal feedingstuffs.

216. Lastly, in July 1972 a new proposal was submitted to the Council amending the Council Directive of 23 November 1970 concerning additives in feedingstuffs.⁵ The Council decided to consult the Assembly and the Economic and Social Committee on this proposal, the main object of which is to introduce the Standing Committee for Feedingstuffs' procedure to decide on the amendments to be made to the lists of additives or the conditions of their use in line with technical and scientific developments.

5. LEGISLATION ON PLANT PROTECTION

217. At the end of 1972 the Six reached a consensus concerning three Commission proposals in the form of three draft Decisions, one

¹ Directive No 5/11/63, OJ No 12 of 27. 1. 1964

² Directive No 72/275/EEC, OJ No L 171 of 29. 7. 1972

³ Directive of 20 July 1970, OJ No L 170 of 3. 8. 1970

⁴ See 19th Review, paragraph 315

⁵ Directive No 70/524/EEC, OJ No L 270 of 14. 12. 1970

setting up a Standing Committee for Plant Protection, one fixing maximum contents of pesticide residues on and in fruit and vegetables and one laying down measures against the introduction into Member States of organisms which are harmful to plants. These drafts will be examined again by the enlarged Community.

6. LEGISLATION ON SEEDS AND SEEDLINGS

218. The Council's work falls under two headings:

(i) Amendments to basic Directives

On 20 July ¹ and 6 December 1972² the Council adopted two series of new amendments to its basic Directives of 14 June 1966³ (beet seed, fodder-crop seed, cereal seed and seed potatoes), of 30 June 1969⁴ (oleaginous and fibrous plant seed) and of 29 September 1970⁵ (vegetable seed and the Common Catalogue of Varieties of Agricultural Plant Species). The object of the first series of amendments was to amend existing texts to accommodate the enlargement of the Community and to make them applicable from 1 January 1973 to determinations of equivalence concerning seeds of non-Community country origin and seeds of certified Community origin. The second series of amendments, which resulted in a more general way from developments in the situation and experience gained, made it possible to improve existing Regulations on a number of points of technical detail.

When the Commission submitted its proposal concerning the latter series of modifications it included an Article providing for this body to be made responsible for publishing the order of each of these Directives on seeds and seedlings in its final version after the various amendments adopted so far. Although the Council recognized that it was essential to publish these in view of the number and complexity of the provisions involved and their successive amendments, it would not accept the procedure proposed by the Commission. Finally it was agreed that the General Secretariat would be responsible for publishing an up-to-date version in the 'C' series of the Official Journal of the Communities, with a reference to all the original executive texts and their publication, and with a rider that the fact of publication did not confer any legal authority.

¹ OJ No L 171 of 20. 7. 1972

² OJ No L 287 of 26. 12. 1972

³ OJ No 125 of 11. 7. 1966

⁴ OJ No L 169 of 10. 7. 1970

⁵ OJ No L 225 of 12. 10. 1970

(ii) Implementing Measures

On 20 July 1972 the Council adopted three Decisions¹ on the equivalence of field inspections carried out in non-Community countries on seed producing crops, the equivalence of seed produced in non-Community countries and the equivalence of seed potatoes produced in non-Community countries. These Decisions lay down precisely for what species, which non-Community countries and under what conditions seeds or seedlings directly imported into the Community, or simply propagated in non-Community countries in order to be subsequently re-imported into the Community, are deemed as equivalent to seeds and seedlings produced in the Community according to current Regulations. The former right of Member States to determine these equivalences themselves was automatically revoked.

In December 1972 the Commission submitted five new draft Decisions on equivalence to the Council which were designed to supplement those mentioned above as regards new species of seed or seedlings and also new non-Community countries.

7. COORDINATION AMONG MEMBER STATES REGARDING WORK ON THE CODEX ALIMENTARIUS

219. As part of the FAO/WHO combined programme on the Codex Alimentarius several standards are being studied which effect the Community aims of alignment and standardization as regards foodstuffs (additives and regulations by-product), veterinary medicine (hygiene) and plant protection (pesticide residues). Consequently, in accordance with the procedures on which the delegations agreed in their joint Declarations on 23 March and 20 September 1971,² the delegations from the Member States and the representatives of the Commission undertook several projects under the aegis of the Council to coordinate these studies and prepare for the various Committee meetings (12 meetings), and the plenary session of the Commission on the Codex Alimentarius (Rome, November 1972).

In the great majority of cases these projects produced a joint viewpoint among the Member States. In the case of the various projects on standards which reached the final stage (stage 9) of the Codex procedure and which were submitted to governments for acceptance, the delegations confirmed their willingness to agree unanimously before any final decision in this matter.

¹ Decisions Nos 72/292, 72/293 and 72/294/EEC, OJ No L 186 of 26. 8. 1972

² See 19th Review, paragraph 320

CHAPTER IV

ENERGY

A — Energy policy

1. THE ENERGY SITUATION IN THE COMMUNITY: THE POSITION IN 1971 — PROSPECTS FOR 1972

220. As in previous years, the Commission, after consultation with the joint Council-Commission Committee, has prepared a report on the energy situation in the Community reviewing the energy market situation in 1971 and the prospects for 1972. This report is part of the scheme of initiatives on the energy policy proposed by the Commission in its communication to the Council in 1968 on 'the initial posture for a Community energy policy'.¹ As in the past, the report reflects the situation at the end of the year 1971.

The energy requirements of the Community in 1971 increased less rapidly than in other years because of the slowing down in overall economic development demonstrated by a rate of increase in GNP of 3.4% and in industrial production of only 2%. Climatic conditions, which were quite favourable during 1971, also contributed to the slackening in the demand for energy, especially in the domestic sector, where the increase can be considered quite modest in relation to the preceding period (+ 5%). Overall, the internal energy consumption of the Community can be estimated at 871 million tce² in 1971, an increase of 3½% over 1970.

The slowing down in the increase in demand did not bring about any basic structural change in the range of Community requirements. The only notable factor was natural gas, whose development was

¹ See the 19th Survey of the activities of the Council, paragraph 321.

² Tonnes carbon equivalent

pursued to the detriment of all other forms of energy and which is now contributing 11% of total energy requirements. Internal electricity consumption, which amounted to 632 TWh, also reflects the slowing down in the consumption of all primary energy sources;

the fall in the rate of expansion, which was under 6%, was the result of a considerable slackening in the increase of industrial consumption, but also of a slight check in domestic demand. The overall trend was the same in all the Community countries, in which the increase in 1971 was generally over a third less than predicted.

On the supply front, 1971 was above all notable for negotiations between the producing countries and the international petroleum companies and for the conclusion of the Teheran and Tripoli Agreements. These Agreements involved considerable increases in the revenues of the oil-producing countries and large rises in the cost of crude oil. The lull on the freight market and the difference between the cost of crude oil from the Persian Gulf and North Africa meant that Community supplies of petroleum tended to originate in the Middle East, which in 1971 supplied almost 60% of Community imports.

221. Economic prospects for 1972 are subject to uncertainties which could be reflected in investments being deflected away from Community companies. Operations in the iron and steel industry and metal working industries could suffer from this fact. Overall, the increase in industrial production will be at a very modest rate, of the order of 1 to 2%; the increase in GNP will also be relatively low, under 3%.

However, this forecast for the development of the economic situation is clearly conditional upon an improvement in the world's financial situation and the reestablishment of a better climate in international exchange. With these reservations, the internal energy consumption of the Community could reach 903 million tce in 1972, a modest rate of increase of about 4%; 60% of energy requirements will be covered by imported energy, mainly in the form of petroleum. Of Community energy sources, coal will cover no more than half the requirements and will continue to diminish in importance in relation to natural gas. In contrast to the situation in 1971, the development of energy consumption in 1972 will not be the same for all the Community countries; it will depend mainly on the level of the market in each one. Finally, the overall energy requirement for the whole of the Community will develop more or less in parallel to internal consumption and will increase by more than 3%, thereby exceeding one thousand million tce. Whether demands are met will depend on the two thirds of imported energy.

2. WORK TO DEVELOP A COMMUNITY ENERGY POLICY

222. In its 195th meeting on 17 and 18 May 1972, the Council, after consultation with the Member States of the European Communities, adopted two Regulations, one based on a communication to the Commission concerning the import of hydrocarbons and the other on a communication to the Commission concerning investment projects of Community interest in the sectors of petroleum, natural gas and electricity¹. Following a request from the United Kingdom, the Council also agreed to take the necessary steps to grant this country a period of 6 months from when the Treaty of Accession came into force to put these two Regulations into effect.

223. The following considerations have resulted in the adoption of these Regulations. The establishment of an overall Opinion on the supply of hydrocarbons to the Community is one factor in the Community energy policy which would enable the Community to appreciate the supply position from a security point of view. Thus, the Regulation on imports provides that the Member Countries should communicate the following information to the Commission for crude oil and natural gas: — by company, by 30 September and 31 March of each year at the latest, imports during the preceding six months; — overall, by country of origin and by 31 December of each year at the latest, imports forecast for the following year for all companies in the Member State concerned. The Commission may insist on an individual forecast for each company. To meet this requirement, any person or company who has imported or proposes to import into the Community a quantity of crude oil or natural gas equal to or over 100 000 t per annum is obliged to provide the following details to the Member State in which these imports have occurred or will occur: — before 15 September and 15 March of each year, the imports during the preceding six months; — before 15 December each year, imports forecast for the following year. The Commission would present the Council with a summary of the data collected in the enforcement of this Regulation.

The second Regulation is aimed at providing an overall view of the development of investments in the sectors concerned to enable the Community to undertake the required negotiations. To this end, the Member States must provide the Commission, before 15 February of each year, with certain details on investment projects concerning the production, transport, storage and distribution of hydrocarbons as well as the production and transport of electricity whose actual completion, that is to say commencement of operation, must normally take

¹ OJ No L 120 of 25. 5. 1972

place within three years from 1 January of the current year. To enable the Member States to have the necessary details available, persons and companies concerned are obliged to inform the Member State on whose territory they intend to carry out these projects, before 15 January of each year, of the technical data relating to the investment project. The Commission will present the Council with a summary of the data collected in enforcement of this Regulation.

224. In a letter dated 29 July 1971, the Commission submitted to the Council a communication on the establishment of a 'basic posture for a Community energy policy', accompanied by three texts. The first was a proposal for a Council Directive amending that of 20 December 1968 (No 414/68) obliging the Member States of the Community to maintain a minimum level of crude oil and petroleum products. The second text was a proposal for a Council Regulation relating to the application of Community company articles to activities in the hydrocarbons industry. The third communication was a draft Council Decision authorizing loans as a form of Community contribution to the financing of nuclear power stations.

At its 165th meeting on 20 and 21 September 1971, the Council decided to opt for consultation with the Assembly and with the Social and Economic Committee on the proposal for a Council Directive and the draft Council Decision and also for consultation with the Economic and Social Committee on the proposal for the Regulation mentioned above.

On the matter of the proposal for the Council Directive, the Assembly gave its Opinion in its session of 15 November 1971, and the Economic and Social Committee gave its Opinion on 24 November 1971. In a letter dated 30 December 1971 the Commission informed the Council of an amended proposal for this Directive which took account of the Assembly's Opinion.

225. At its 221st meeting on 19 December 1972, the Council after consultation with the Member States of the European Communities, adopted the Directive which amended the Council Directive of 20 December 1968 making it obligatory for Member States of the EEC to maintain a minimum level of crude oil and/or petroleum products stocks.¹ Under this Directive, the reference period of 65 days in the first Article of the Council Directive of 20 December 1968 was extended to 90 days. The increase in stocks was to be effected as soon as possible and at the latest by 1 January 1975. The Council considered that because of the substantial increase in the petroleum requirements of

¹ OJ L 291, of 28. 12. 1972.

the Community which involved its greater dependence on supplies from countries outside the Community and because of the changes which had occurred in recent years in the petroleum supply structure for Western Europe, it was expedient to increase the level of stocks in order to have available the time necessary to put the appropriate measures into effect if certain current supplies were interrupted.

226. On the matter of the proposal for a Council Regulation relating to the application of the Community Company Law to activities in the hydrocarbons industry, the Assembly gave its Opinion at its session of 18 April 1972. On the basis of this Opinion, the Commission communicated an amended proposal to the Council in a letter dated 6 June 1973. This proposal is now being examined in Council.

227. On the matter of the draft Council Decision authorizing loans as a Community contribution to the financing of nuclear power stations, the Assembly gave its Opinion during its session of 17 January 1972. The Economic and Social Committee gave its Opinion on 24 February 1972. The Assembly and the Economic and Social Committee gave their agreement to the Commission's draft Decision with certain reservations. On the basis of the Opinion given by the Assembly, the Commission communicated an amended draft Decision to the Council in a letter of 19 April 1972. The Atomic Questions Group examined this amended draft, but was unable to come to an agreement about it and referred it to the Permanent Representatives Committee. At the 663rd meeting of this Committee on 16 November 1972, the Commission representative announced that his Institution proposed to reexamine the draft in the light of new factors which had arisen in the meantime and that the Institution would probably make new proposals at the beginning of 1973.

228. In a letter dated 13 October 1972, the Commission wrote to the Council concerning the progress necessary for the Community Energy Policy and also about the problems of and the means for the Energy Policy; for the period 1975 to 1985. It also communicated a proposal for a Council Regulation on the establishment of a joint Regulation for the import of hydrocarbons from countries outside the Community and a further proposal for a Council Regulation relating to oil and gas pipe-lines across Community frontiers. In addition, the Commission sent a proposal for a Council Directive on measures designed to reduce the effects of supply difficulties in the case of hydrocarbons.

At its 210th meeting on 30 October 1972, the Council decided to consult the Assembly and the Economic and Social Committee on the last proposal mentioned above and also to opt for consultation on the communications and proposals mentioned above.

B — Problems in the coal industry

1. CONSULTATION BY THE COUNCIL IN ACCORDANCE WITH ARTICLE 5, PARA. 1 OF DECISION No 3/71/CECA OF THE COMMISSION ON FINANCIAL CONTRIBUTIONS FROM THE MEMBER STATES TO THE COAL INDUSTRY IN 1971

229. At its 186th meeting on 31 January/1 February 1972, the Council gave the consultation requested by the Commission.

2. CONSULTATION BY THE COUNCIL IN ACCORDANCE WITH ARTICLE 5, PARA. 1 OF DECISION No 3/71/CECA OF THE COMMISSION ON FINANCIAL CONTRIBUTIONS BY MEMBER STATES TO THE COAL INDUSTRY IN 1972

230. In a letter of 13 July 1972, the Commission sent the Council a Memorandum on these measures. An examination by the Commission of the contributions provided for in 1972 showed that these contributions presented no obstacles to the proper operation of the Community coal market. The memorandum showed that direct aid given in accordance with Articles 6 to 9 of Decision No 3/71/CECA amounts to 329.6 million U.A., a decrease of 13.3% in comparison with 1971 (380.1 million U.A.). Overall aid, that is to say including aid to coking coal and indirect measures, to the Community coal industry is 5.3% below the amount provided in 1971 (497.7 instead of 525.7 million U.A.). For the Community as a whole, financial aid to the coal industry during the years 1969 to 1972 reached the following amounts (in million U.A.):

| | 1969 | 1970 | 1971 | 1972 |
|--|--------|---------|--------|--------|
| 1. Direct aid in accordance with Decisions Nos 3/65 and 3/71 | 427.7 | 332.4 | 380.1 | 329.6 |
| 2. Aid to coking coal | 74.2 | 87.4 | 53.7 | 69.4 |
| 3. Indirect aid | 98.4 | 84.3 | 91.9 | 98.7 |
| Total | 600.3 | 504.1 | 525.7 | 497.7 |
| Change in relation to preceding year | - 1.1% | - 16.0% | + 4.3% | - 5.3% |
| Amount of aid per ton output (U.A.) | 3.40 | 2.96 | 3.18 | 3.21 |

This aid does not include financial contributions made to cover deficits incurred by social security organizations (within the framework of Article 4 of Decision No 3/71/CECA), which rose in 1972 to approximately 1.6 million u.a. (an increase of 11.3% over 1971).

At its 207th meeting on the 26 September 1972, the Council gave the consultation on this item requested by the Commission in accordance with Article 5, paragraph 1 of its Decision No 3/71/CECA.

3. NEW SYSTEM OF COMMUNITY AID FOR COKING COAL AND COKE FOR THE COMMUNITY STEEL INDUSTRY

231. In a letter of 17 October 1972, the Commission submitted to the Council for its assent in accordance with Article 95, paragraph 1 of the ECSC Treaty, a draft for a Decision calling for the establishment of a new system of Community aid for coking coal and coke for the Community steel industry, to replace, from 1 January 1973, Decision No 70/1/CECA which was about to expire. This draft provides for two distinct forms of aid to help both the production of coking coal in the Community and its sale within the areas situated along the production zone or within the framework of trade between Community countries. The level of this financial aid should be established by the governments concerned according to common criteria. The financial aid for trade with other countries in the Community would receive a Community grant, the burden of which will be distributed between the Member States and the iron and steel industry. In regard to the fixing of prices for the sale of coking coal, the draft Decision expands on the arrangements laid down in the ECSC Treaty which enables coal industry organizations to allow reductions in prices in relation to the list price even if there is no effective competition with coking coal and coke from non-Community countries at the point of utilization.

After prolonged discussion at its 221st meeting on 18 and 19 December 1972, the Council stated that it was not able to give its assent as requested by the Commission on this new Community aid system for coking coals and coke for steelmaking within the Community and instructed the Permanent Representatives Committee, in the light of the discussion which had taken place, to work out the basis for a proposal to solve the problem of Community coking coal for the iron and steel industry within the Council and to submit this basic proposal to the Council as soon as possible and at the latest by 31 March 1973.

4. INVESTMENT AIDS

232. In the letter dated 23 June 1972 the Commission requested the Council to give its assent in accordance with Article 54, paragraph

two of the Treaty of Paris for the financing of an expansion of the plant at the Centrale thermique minière de l'Est de Charleroi (CETEX) (coal-fed steam generating station) at Farciennes in Belgium. It is emphasised in this communication that such an expansion would contribute 'directly and principally' to aiding the sales of ECSC products. At its 207th meeting on 26 September 1972 the Council gave its assent as requested by the Commission.

C – Supplies of enriched uranium

1. LONG-TERM SUPPLY OF ENRICHED URANIUM – CREATION OF A EUROPEAN URANIUM ENRICHMENT FACILITY

233. In December 1970, the Council instructed the special working group for 'long-term supplies of enriched uranium' of the Consultative Committee for Nuclear Research (CCNR) to submit to the Council and to the Commission a report comprising an analysis and an evaluation of certain factors relating to the creation of a European uranium-enrichment facility.¹ The group submitted its report on 30 May 1972. On the basis of this report's conclusions the Commission made new proposals to the Council in its letter of 27 June 1972 which adopt the proposal formulated on this point in May 1969 to the present situation. In particular, it proposes that the Council approves a Resolution recognizing the need for the Community to have available a uranium-enriching facility which would enable a considerable and increasing proportion of Community needs to be met from the beginning of the next decade. In the opinion of the Commission it would, therefore, be expedient to get under way immediately with preparatory work which would enable a Decision on the construction of suitable plant to be taken in good time. Because of the basic importance of such projects to the Community, the Commission considers that it would be worthwhile to create a legal framework within which to concert the efforts of the Community and integrate its projects. In this respect, 'joint undertakings' in the sense of Chapter V of the Euratom Treaty are seen as the best means of ensuring concerted efforts by all concerned in the initial stages and the development of a joint study, and subsequently the institution and operation of the necessary isotope separation plants. In a letter of 4 October 1972, the Chairman of the Assembly requested that his organization should be consulted in an advisory capacity on the Commission proposals. In its 215th meeting on 20 and 21 November 1972, the Council agreed to this request. The Commission proposals are now being examined in Council.

¹ See 19th Review, paragraph 357

2. IMPROVEMENT IN THE CONDITIONS OF SUPPLIES OF ENRICHED URANIUM FROM THE UNITED STATES OF AMERICA

234. On 26 May 1972 the Council adopted by written procedure supplementary Directives to the Commission for the recommencement of negotiations with the American authorities with a view to improving conditions of supply of enriched uranium from the United States. In a letter of 17 July 1972, the Commission reported to the Council on the results of these negotiations giving in addition the text of an amendment to the codicil to the Cooperation Agreement of 11 June 1960 between the Government of the United States of America and the European Atomic Energy Community. The Commission recommended the Council to agree to this draft amendment. On 18 August 1972, the Council agreed by written procedure to authorize the Commission to sign this amendment to the codicil to the Agreement together with the Government of the United States. The amendment was signed on 20 September 1972 in Washington and immediately put before the United States Congress for ratification.

3. RENEWAL OF THE MEMBERS OF THE CONSULTATIVE COMMITTEE OF THE EURATOM SUPPLY AGENCY

235. At its 215th session on 20 and 21 November 1972, the Council agreed to the proposal by the Member States and to the text of a Council Decision relating to the renewal of the members of the Consultative Committee of the Euratom Supply Agency.

D — Agreement between Belgium, the Federal Republic of Germany, Italy, Luxembourg, Holland, the European Atomic Energy Community and the International Atomic Agency on the application of paragraphs 1 and 4 of article 3 of the treaty on the non proliferation of nuclear arms

236. At its 165th meeting on 20 September 1971, the Council adopted the Directives to the Commission for negotiations with the International Atomic Energy Agency for an inspection agreement. At the end of August 1972, the Commission placed the draft agreement and the protocol resulting from the negotiations undertaken by the Commission on the basis of these Directives before the Council. After examining this draft agreement and the protocol, agreement was reached within the Council on certain amendments to be made to a small number of Articles in this draft agreement. The IEAA approved these amendments, and so the Council adopted by written procedure the draft agreement and amended protocol on 18 October 1972 after consultation with the Member Countries of the European Communities.

CHAPTER V

RESEARCH

A — Scientific and technical research

1. DEVELOPMENT OF A JOINT POLICY WITHIN THE COMMUNITY

237. On the eve of its enlargement, the Commission considered that it had become necessary to establish in general terms a joint research and development policy which would meet the needs of the whole Community and to establish the way in which joint and national initiatives should be linked so as to make the best use possible of the scientific, technical and industrial potential of the Community. To this end the Commission, in a letter dated 14 June 1972, sent a communication to the Council on the objectives and means for a joint scientific research and technical development policy. This communication was chiefly made up of a draft Council Resolution concerning the drawing up and execution of such a joint policy, on the allocation of Community resources to this type of activity, and on the establishment of the organizations necessary to ensure the planning and execution of joint and Community initiatives and the initiation of certain concrete actions from 1973 onwards. Appendices I, II and III of this draft Resolution define respectively the role and the functions with which the JRC would be charged, a programme of research to be undertaken from 1973 in the environmental field and a programme of research and pilot investigations to be undertaken from 1973 in the field of materials. During its meeting on 24 July 1972 the Permanent Representatives Committee instituted its first exchange of opinions on this communication and found it expedient to request an ad hoc working party composed of representatives of the Member States responsible for research in their country to begin as soon as possible, and with the participation of the prospective Member States, on an examination of this communication from the Commission.

238. The ad hoc working party reported on this item to the Permanent Representatives Committee on 30 November 1972 and submitted to it a revised draft Resolution. The delegations were not able, however, to take up a definitive position on this question. While drawing up the report, the ad hoc working party had taken account of the desire expressed by the Heads of State or Government in the final Statement after the Paris Summit Conference that a new impetus should be given to Community efforts in the field of science and technology. This Statement provides, in particular:

- '7. It is important to define the objectives and to ensure the development of a joint policy in the field of science and technology. This policy implies the coordination within the Community institutions of national policies and the joint execution of initiatives in the Community interest. To this end, a programme of initiatives along with a detailed timetable for the execution of these initiatives and appropriate means should be arrived at by the Community institutions before 1 January 1974.'
- '15. in order to achieve the tasks set out in the various programmes of initiative, it is clear that use should be made as widely as possible of all the arrangements allowed for in the Treaties including Article 235 of the EEC Treaty.'

At its meeting of 1 December 1972, the Permanent Representatives Committee, having noted the wish of the Commission to see the communication from the Commission dealt with by the Council towards the end of January or the beginning of February 1973, agreed to undertake the examination of the ad hoc working party report as soon as possible.

2. FINANCIAL AID TO TECHNICAL RESEARCH IN THE COAL INDUSTRY

239. Continuing its constant efforts to improve and modify production methods, valorization methods and methods for the utilization of coal in the Community coal industry in order to safeguard and improve the competitiveness of the coal industry on the international market, the Commission has applied itself, as it is obliged to under Article 55 of the ECSC Treaty, to encourage technical and economic research into the production and growth in consumption of coal as well as industrial safety in this industry by organizing the appropriate contacts between the research organizations in this field. To this end, it has requested in a letter dated 21 February 1972, in accordance with Article 55, paragraph 2, subparagraph (c) of the ECSC Treaty, assent from the Council to enable it to allot funds

derived from the levies provided for in Article 50 of the Treaty to financial aid to research, to meeting the expenses of the dissemination of information arising from this research — which the Commission is bound to do in accordance with Article 55, paragraph 2 of the Treaty — as well as to other costs arising from the projects described in the table below:

| Research projects | Amount of aid in U.A. (incl. costs of dissemination of information and other costs) |
|---|---|
| Area: 'Preparation work techniques' and 'Operating methods and cutting' | |
| 1. Conventional gallery excavation processes | 48 000 |
| 2. Control of firedamp emission | 559 083 |
| 3. Forecasting and control of strains in mineworkings | 1 200 012 |
| Area: 'General bottom services' | |
| 4. Reliability of hoisting cables in high output pits | 226 698 |
| Area: 'Briquetting and coking of coal' | |
| 5. Tests on new refractory materials in coke ovens aimed at increasing coking plant capacity | 573 771 |
| 6. Effect of combined charging of dry and preheated coal on the operation of coking plants and on coke quality | 110 658 |
| Area: 'New chemical and physical processes' | |
| 7. Stabilization of waste products | 240 003 |
| 8. New processes for the production of industrial chemical compounds from by-products resulting from new coking processes | 144 000 |
| 9. New products obtained from the fermentation of coking by-products | 82 047 |
| Total | 3 184 272 |

240. The Commission, in collaboration with the Coal Research Committee which is composed of representatives from the coal producers, from coal research institutes, from universities and from Community syndicates, selected these 9 projects from 17 for which a request for aid was received. Thus, the Commission has taken account

of the need to concentrate Community financial efforts on certain priorities in the research field which measure up best to the criteria established in the medium-term aid programme for technical research in the coal industry (1970–1974) drawn up by the services of the Commission in collaboration with the Coal Research Committee and sent for information to the Council on 27 June 1972.¹ At its 194th meeting on 24 and 25 April 1972, the Council gave its assent as requested.

3. EUROPEAN COOPERATION IN THE FIELD OF SCIENTIFIC AND TECHNICAL RESEARCH (COST)

241. Within the framework of this cooperation between 19 European countries, the Council authorized the Commission at its meeting on 22 and 23 November 1971 to sign three cooperation Agreements in the name of the Community with the reservation that the formalities required by virtue of the articles in the Treaties be completed in order that these Agreements could be put into effect. The first agreement, signed by the Commission in the name of the ECSC deals with the establishment of a European information network (5 years — estimated cost 4.95 million U.A.). On 25 April 1972 the Council decided on a research programme designed to allow the Community to participate in this initiative. The second Agreement, signed by the Commission in the name of the ECSC, concerns the operation of a combined European initiative in the field of materials for gas turbines (3 years — total estimated cost 7.47 million U.A.). The third Agreement, signed by the Commission in the name of the ECSC, deals with the implementation of a European initiative in the field of health hazards on the topic 'Research into the physico-chemical behaviour of sulphurous anhydride in the atmosphere' (4 years — total estimated cost 2.06 million U.A.). In the case of the two latter Agreements, the internal procedures required by the ECSC Treaty to enable the Community to participate in these initiatives are under way.

B — Nuclear research

1. LONG-TERM TRAINING AND RESEARCH PROGRAMME FOR THE EUROPEAN COMMUNITIES

242. The Council received the proposals for a medium-term research programme from the Commission only on 13 November 1972 and had therefore not succeeded in examining these proposals

¹ OJ No C 74 of 10. 7. 1972

before the end of the year. As a result of a prolonged exchange of opinion on these proposals, the Council established during its meeting on 12 December 1972 that there were considerable differences in the positions of the various delegations with regard to the various initiatives proposed by the Commission and to the measures planned by the Commission for certain large-scale nuclear power plants. The Council therefore proposed to take time for further consideration and to continue its work on this topic at a further meeting arranged for 18 January 1973.

2. RESEARCH AND INVESTMENTS GRANTS FOR 1973

243. Since the research programme had not arrived before the final establishment of the general Community Budget for 1973, the Council decided at its session of 5 and 6 December 1972 to write into the section for 'Investment and Research Expenditure' in this budget only those grants required in 1973 for the execution of previous programmes or programmes which had already been completed,¹ And an amount of 10 million U.A. which would enable the Commission to meet obligatory expenses not covered by a Decision on the programme from 1 January 1973 and until a new research programme was fixed. However, since it was anxious to respect the principle of universality of the budget without prejudicing the Decision which it would have to take at a later date on the initiatives provided for by the Commission in its research programme proposals, the Council also agreed to write into the section for non-allocated provisional grants in the general budget, with a deduction of the 10 million U.A. mentioned above, the provisional grant provided for by the Commission in its draft Budget for the execution of these initiatives during 1973. It was provided that this amount could not, however, be used until after the Council had agreed on the Euratom programme and after consultation with the European Parliament on either a supplementary budget or a corrective budget for the distribution of the grants among the various sections and articles relating to research and investment activities.

3. QUESTIONS CONNECTED WITH THE RESEARCH PROGRAMME

244. In addition to its Resolution of 30 June 1969² aimed at ensuring that research programmes were properly carried out and at proper liaison between programmes carried out on Community and

¹ See 19th Review, paras. 367 and 371

² See para. 193, 17th Review

national levels, the Council, at its meeting of 20 July 1972, decided to constitute three new Consultative Committees for the management of programmes on the following topics: safety in reactors, data-analysis centres, nuclear measurements and standards.

4. EXTERNAL RELATIONS

(a) Continuation of the DRAGON Agreement

245. Having directed the Commission in April and September 1972 to negotiate continued Community participation in the high temperature gas cooled reactor project (DRAGON) from the 31 March 1973, the Council approved in writing on the 17 November 1972 the conclusion by the Commission of a new Agreement for the continuation of this project for a period of three years, that is from the 1 April 1973 to 31 March 1976, and it amended the Decision on the corresponding research programme, bringing the level of expenditure incurred by the participation of the Community in this project to 10.63 million U.A. The DRAGON project was commenced at the end of March 1959 within the framework of the OECD with the participation of the Community, the United Kingdom, Denmark, Austria, Sweden and Switzerland. In accordance with the Treaty of Accession, the United Kingdom along with Denmark and Ireland will participate in this project from 1 April 1973 as part of the enlarged Community, whose contribution to the expenditure involved in this project is fixed at 47.1%, 43.26% being contributed by the UKAEA and the other 9.64% by Austria, Sweden and Switzerland.

(b) Relations between Euratom and the United Kingdom: further continuation of the Agreement

246. The nuclear cooperation Agreement between the European Atomic Energy Community and the United Kingdom was due to expire on 3 February 1972. The Council, therefore, approved at its meeting of 31 January and 1 February 1972, the exchange of letters proposed by the Commission providing for a further continuation without amendments of the Agreement for the period 4 February 1972 to 31 December 1972, the date fixed for the accession of the United Kingdom to the Communities.

(c) Cooperation with the American Atomic Energy Commission on Nuclear Documentation

247. At its meeting of 28 February 1972, the Council approved, in the name of Euratom, the conclusion of an Agreement of nuclear documentation exchange negotiated by the Commission with the

USAEC in accordance with the Directives given by the Council in October 1969. This Agreement which was for a period of three years with options on a further period by joint agreement of the parties, was aimed at providing the USAEC with the collaboration of the Community in the supply of documentation resulting from Euratom research programmes and all the nuclear science documentation produced in the Member States who had expressed¹ or who would express a demand for it. In return, the Community would receive, in the form of magnetic tapes, all the documentation published in the United States, and if possible in those other countries with which the USAEC might conclude agreements for the exchange of documentation.

(d) *Relations between Euratom and the OECD: continuation of the Agreement on a computer programme library*

248. At its meeting on 24 and 25 April 1972, the Council agreed to authorize the Commission to extend the Agreement between the OECD and Euratom on the ENEA computer programme library to 31 December 1972. This Agreement had been signed in 1967 and had expired on 31 December 1971 after several temporary extensions.

¹ Namely, Belgium, Germany, Italy, Luxembourg and Holland.

CHAPTER VI

NEGOTIATIONS WITH THE NON-CANDIDATE COUNTRIES

249. These negotiations have their origin in the Decision on general principles taken at the Hague Conference, at the end of which a communiqué was issued indicating in paragraph 14 that 'after negotiations were opened with the countries applying for membership, discussions would be held with the other EFTA members on their position *vis-à-vis* the Community'. These discussions began in November 1970 with a series of meetings at ministerial level with each of the countries concerned, followed by exploratory talks led by the Commission. As a result of these, the Council authorized the Commission in November 1971 to open negotiations, the objective of which was described as follows: 'to seek solutions to the problems created for these countries by the enlargement of the Community and thus to cause them to assist the work of constructing Europe, more particularly through the development of trade and economic relations.'

The intention was essentially to avoid as far as possible the erection of new barriers to intra-European trade as a result of the enlargement of the Community and denunciation of the Stockholm Convention by some of the new Member States. The aim was thus to maintain the free trade achieved through EFTA by extending it to trade between the Member States of the original Community and Ireland, on the one hand, and the non-candidates, on the other hand.

250. The negotiations conducted to this end were followed closely by the Council, which discussed them at most of its meetings from the beginning of the year up to the end of July. The negotiations were completed in July with Austria, Finland, Iceland, Portugal, Sweden and Switzerland.¹ With each of these countries two

¹ Since then Norway has decided not to join the Community. Negotiations have been opened with this country with a view to an agreement similar to those concluded with the EFTA countries not applying for membership.

Agreements were negotiated, one of them under Article 113 of the Treaty of Rome, dealing with EEC products, and the other on products covered by the Treaty of Paris, this latter Agreement requiring ratification by the Member States.

On 22 July, the Agreements negotiated with Austria,¹ Iceland, Portugal, Sweden and Switzerland together with the additional Agreements with Liechtenstein were duly signed at ministerial level in the same room of the Palais d'Egmont in Brussels, where the Treaty of Accession had been signed exactly six months earlier. The Agreements negotiated with Finland, however, were only initialled, as the Finnish Government preferred to defer signature until later.

At its meeting of 19 December 1972, the Council approved the Regulations concluding the Agreements between the EEC, on the one hand, and Austria, Iceland, Portugal, Sweden, Switzerland and Liechtenstein, on the other. The instruments notifying completion of the procedures required for these same Agreements to come into effect were exchanged on 21 December 1972, except for the agreement with Iceland, and they thus came into force on 1 January 1973.

As regards the Agreement between the EEC and Iceland, the Council noted that completion of the procedures necessary for the Agreement to take effect could not be notified until Iceland had completed its own conclusion procedure.²

251. Procedure for ratification of the Agreements negotiated on ECSC products is currently being followed in the various Member States. These Agreements will take effect on the first day of the second month from the date on which the contracting parties have notified each other that the procedures necessary to this effect have been completed, the final date for this notification being 30 November 1973. However, it is proposed that the parties, by independent and reciprocal measures, should implement the first tariff cuts for ECSC products on the same date as that scheduled for EEC products (from 1 April 1973), if the ratification procedures are not yet completed in all Member States by that date.

252. Before analysing the content of the Agreements in greater detail, we shall first give a general outline of them.

¹ In addition, two interim Agreements were signed with this country aimed at bringing forward the introduction of tariff cuts to 1 October 1972, as opposed to 1 April 1973 in the other Agreements.

² This Agreement came into effect on 1 April 1973.

The Agreements essentially confine themselves to industry and provide for free movement of goods for this sector in five years' time within a free trade area. The Community judged that free trade in the industrial field (which is, in fact, the very essence of EFTA) was the only commitment it could take at this time *vis-à-vis* the non-candidate countries of EFTA, without endangering its own operational independence and development. The Community structure is in effect a single entity founded on common rules, special discipline and overall objectives; the ultimate Community aims of economic integration cannot be achieved without full participation in the Community Institutions and adherence to their rules and disciplines, all elements of which are interdependent.

This explains, in particular, why the Agreements do not cover agriculture. It is clear that the achievement of free trade in agricultural products is only conceivable within the framework of a common agricultural policy and that the establishment of a system of preferences might also create problems for the operation of market organizations within the Community. However, for reasons which will be explained later, an agricultural protocol was appended to the Agreements with Iceland and Portugal, whilst a number of independent concessions were exchanged alongside the other Agreements.

Nor did the Community think that requests not to restrict the Agreements solely to trade in industrial products could be complied with. Several countries had, in effect, expressed interest in participating in a number of Community endeavours, such as the removal of technical obstacles, harmonization of legislation, industrial policy, energy policy, and economic and monetary union. The Agreements do not, however, preclude the possibility of later expansion if the two parties should deem it useful in future to extend them to areas such as those listed above, as will be seen hereafter (evolutive clause).

253. First of all we shall analyse the Agreements with Switzerland, Sweden, Finland and Austria. To achieve a free trade area in the industrial sector, the simplest way in which the various tariff operations to be conducted for the Community in the next few years could be simplified as far as possible, was clearly to synchronize the transitional measures for inclusion in the Agreements with non-candidate countries with those laid down in the Acts of Accession. In effect, it has proved possible to do this for the majority of industrial products, which will thus be subject to a system of tariff cuts similar in duration and rhythm to those adopted in relations between the old and new Member States of the enlarged Community. In concrete terms this means that

customs duties on most products will be phased out in five stages of 20% each, with the first reduction scheduled for 1 April 1973 and complete free trade being achieved by 1 July 1977.

254. It was not possible, however, to apply this simple scheme blanket-fashion to all industrial products. It has been found necessary to separate certain particularly sensitive economic sectors from this general system and apply a system of more gradual tariff cuts to them. For imperative economic and social reasons, the Community has been obliged to provide special safeguards for the paper sector which is going through a phase of restructuring requiring the following special measures:

- a) First of all, tariff cuts in this sector will be spread over a period of 11 years, with complete free trade from 1 January 1984. As a result of extending the transitional period, the United Kingdom, Denmark and Ireland will — admittedly to a limited extent and one made necessary by the risks of deflection of trade — introduce customs duties on trade with their former EFTA partners, thus departing, in effect, from the principle of maintaining the free trade achieved under the Stockholm Convention. On the other hand, the consequences of this departure are strongly attenuated by the fact that these three new Member States are allowed to fix zero-rated tariff quotas in favour of the EFTA countries.
- b) A second precaution taken by the Community is the subjection of the paper sector to the system of 'indicative ceilings'. These ceilings are set annually on the basis of imports in previous years assuming, in principle, an annual growth rate of 5%. Imports below these ceilings, which are valid for the Community as a whole, are charged at the preferential rate under the schedule of tax cuts drawn up in the Agreements. Imports in excess of this ceiling may be charged at the rates of duty applicable to non-Community countries, but this is an optional and not an automatic procedure and, in any case, the option of charging the full rate of CCT on imports from EFTA countries is only open until the end of the current calendar year. This system of 'indicative ceilings' will cease when complete free trade is achieved on 1 January 1984.

255. Apart from the paper sector, which undoubtedly was the most delicate problem of the negotiations, the Community considered that certain adjustments to the general system of tariff cuts were also indispensable in a number of other sectors, namely, staple fibres, certain ferro-alloys, certain special steels, tube for ball-races, tubes of stainless steel, aluminium, lead, zinc and certain rare metals, since the sensitive nature of all these products will not allow the complete

removal of tariffs on them as from 1 July 1977. Tariff cuts in these products will be spread over seven years with complete free trade effective from 1 January 1980, the cuts being fairly small at the beginning of this period. These sectors will also be subject to the system of 'indicative ceilings' described earlier.

256. The EFTA countries in turn have devised special systems for certain products. Those adopted by Austria, Switzerland and Sweden are as follows. The measures decided upon by Austria are identical to those of the Community and cover the same economic sectors. The Swiss measures are confined to the paper sector and also reflect to a large extent the measures taken by the Community in this sector. The Swedish measures provide for a seven-year period of tax cuts with the possibility of setting 'indicative ceilings' for a number of iron and steel products.

257. The case of Finland merits closer attention. The paper sector is undeniably of vital importance for this country since its economy depends very much on the revenue from forestry products and their derivatives which account for some 60% of Finnish exports subject to Community import duties. Nor can one ignore the rather precarious state of the Finnish balance of payments and the fact that the opening of the Finnish market to imports from the Community undeniably creates delicate problems for the economy of that country which is going through a period of restructuring aimed at greater diversification of industry. Because of the system adopted by the Community for the paper sector, it is understandable that Finland should, in turn, have made special provisions for a large number of products originating in various economic sectors. These special provisions include, in particular, adjustments to the period of tariff cuts which, for one list of products, are spread over twelve years and, for a second list, over eight years. In addition, 'indicative ceilings' will be applied to products covered by these special tariff systems. For a certain number of products concerned, however, the restrictive effects of these various measures on Community exports will be mitigated by the fixing of reduced tariff quotas.

258. In addition to tariff provisions, the Agreements in question include other provisions essential to the smooth operation of a free-trade area, in which not only customs duties, but also charges of equivalent effect and quantitative restrictions will be abolished. These Agreements thus contain provisions on competition and dumping, and safeguard clauses to ensure harmonious expansion of trade between the Community and its partners.

As regards the rules of origin, a problem given particular attention by the Council, a certain number of difficulties had to be overcome during the negotiations, as the rules of origin normally applied by the Community in its preferential trade relations are different from those applying within EFTA. The solution finally adopted in the Agreements grants preferential treatment to goods which have been substantially transformed within the Community or in partner countries, but does not, despite the bilateral nature of each of the Agreements in question, preclude the possibility of successive transformations in a number of countries, thereby essentially safeguarding the traditional patterns of trade already established in Europe.

259. The Agreements also provide for the setting up of Joint Committees to ensure that they function smoothly. Regarding the field of application of the Agreements, it should again be pointed out that the free trade areas do not cover simply the industrial sector in the limited meaning of Chapters 25 to 99 of the Brussels Nomenclature, with the exception of the products in Annex II to the Treaty of Rome; they also cover products described as 'transformed agricultural products'.

260. Finally, mention should be made of the various special provisions adopted in the Agreements negotiated by the Community with Finland, Sweden, Austria and Portugal on iron and steel products covered by the ECSC Treaty. It will be recalled that Article 60 ff. of this Treaty guarantees producers in the Member States fair conditions of competition over prices. It was agreed with the four countries in question, which are producers of steel products, that application of these provisions would be extended to trade within the context of the free-trade areas to be set up. This solution was not adopted in the case of Iceland and Switzerland, which are not steel-producing countries.

261. The question of agricultural products posed particularly delicate problems during the negotiations. We outlined earlier the considerations which argued in favour of excluding the agricultural sector from the negotiations. However, other equally valid reasons called for a more constructive solution. For trade in agricultural products, though not forming an overwhelming proportion of the trade between the Community and the four countries in question, is nevertheless of some importance. Particularly within Europe, the Community undeniably has a rôle to play as an exporter of agricultural products. Indeed, for some Member States, these products account for some 20% of their total exports.

The solution finally adopted as part of the Agreements negotiated with Austria, Finland, Switzerland and Sweden has two aspects. Firstly, these Agreements contain general provisions whereby the Contracting Parties express their willingness, whilst adhering to their own agricultural policies, to promote the harmonious expansion of trade in agricultural products. Secondly, when the Agreements were initialled, the delegations exchanged letters on independent concessions which the contracting parties proposed to apply within the framework of these Agreements. By this procedure, the Community successfully obtained attractive concessions for some of its agricultural exports, particularly horticultural products and wines.

262. The objective of the Agreements negotiated with Portugal is the same as that of the Agreements negotiated with the other non-candidates, viz. the gradual removal of barriers to most forms of trade, with the aim of establishing a free trade area for industrial products. Consequently, the general pattern of these Agreements with Portugal is the same as for the other Agreements and many of the provisions are identical. Because of Portugal's economic structure, however, which is marked by a lesser degree of development and the considerable importance of agriculture, particularly in respect of exports, the results of negotiations with this country show a number of special features, which were the necessary consequence of the treatment enjoyed by Portugal within EFTA, i.e. fairly wide protection for new industries in the industrial sector and substantial concessions for a certain number of agricultural products.

On the Community side, full exemption for Portuguese industrial products will come into effect on 1 July 1977, following the general system of tariff cuts. The Community was obliged, however, to make two exceptions. The first relates to the paper sector, as the special provisions adopted in this sector apply generally to all non-candidate countries, including Portugal. However, as that country has virtually no paper export interests, it is virtually unaffected. The second exception is that the system of 'indicative ceilings' will apply until the end of 1979 to certain products, particularly in the textile sector.

The system agreed on for Portugal's imports is, of necessity, more complex. A large number of products come under an extended timetable of tariff cuts which postpones the achievement of complete free trade for some of them until 1 January 1980, and for others until 1 January 1985. Thus some 50% of all imports of industrial products from the enlarged Community are subject to these special tariff-cutting schedules. Portugal will also, on certain conditions and within certain limits, be able to make use of a new industries clause

allowing tariffs to be raised. Nevertheless, Portugal may be said to have made a considerable effort by agreeing to establish complete free trade by deadlines which are certainly reasonable and by undertaking to remove virtually all quantitative restrictions by 1 January 1980.

In order to take into consideration the system of free trade already established by EFTA for a number of agricultural products, on the one hand, and the fact that some 30% of Portuguese exports to the Community are agricultural products, on the other, the Community granted tariff reductions, amounting to between 30 to 100% of the CCT, on some thirty agricultural products, on condition that certain special terms such as reference prices or schedule limitations were complied with in regard to some of these products. In this context, three categories of products merit special attention because of their importance in Portuguese exports: fish conserves, tomato concentrates and certain wines.

263. The Agreements negotiated with Iceland are also designed to establish an area of free trade in the industrial sector. However, Iceland's industry is developing slowly and the only form of industrial production likely to be of importance to that country's exports in future is that of aluminium, which started a few years ago. Imports of this product into the Community are given special treatment, viz. a seven-year period of tariff cuts and an 'indicative ceiling'.

An Agreement limited to industrial products would have been virtually meaningless for Iceland. Therefore in order to satisfy that country's export interests adequately, it was vital to offer concessions in the major sector of Icelandic exports, that of fishery products. The Community did in fact grant concessions in this sector in the form, in some cases, of an offer of full tariff exemption and, in others, of a more limited reduction. Some of these tariff offers are also conditional on Iceland's respecting minimum prices or reference prices, particularly in the case of the offer of tariff exemption on deep-frozen fish fillets. Based on these considerations, balanced Agreements, satisfactory to both sides, were reached.

The results of the negotiations will only become operative, however, when a solution to the problem of Iceland's fishing limits has been found. In effect, the Community is reserving the right not to apply the concessions proposed for fishery products, should a solution satisfactory to the Member States not be found to the economic difficulties resulting from the measures adopted by Iceland over its fishing rights.

264. There remains a final point, viz. the possible subsequent extension of the special relations thus established between the Community and these various countries to areas which, at this stage, are not covered by the Agreements. This is provided for by an evolutive clause adopted for all the countries concerned, with the exception of Finland, since this country did not consider a clause of this kind to be expedient. The procedure envisaged for extending the Agreements in this way already exists in a sketchy form, in that one Contracting Party may submit to the other party a reasoned request which may be examined by the Joint Committee. It is understood that the result of negotiations held as a result of a measure of this kind will have to be submitted thereafter for ratification or approval by the Contracting Parties in accordance with their normal procedures.

CHAPTER VII

EXTERNAL RELATIONS

A – The Decisions reached at the Summit Conference

265. At the Conference of the Heads of State and Government in Paris on 19–21 October 1972 some important Decisions were reached in the field of external relations. These were as follows:

External Relations

10. The Heads of State and Government affirm that their work towards building the Community cannot be completely meaningful unless the Member States act together in facing Europe's growing responsibilities in the world.

11. The Heads of State and Government are convinced that the Community ought, without prejudice to the advantages enjoyed by countries with which it has special relations, to be still more attentive than in the past to the needs of the developing countries as a whole.

In view of this, it attaches great importance to the policy of association as set out in the Treaty of Accession as well as to the carrying out of its commitments to the Mediterranean countries, with which Agreements have been or are to be reached. These Agreements will have to be approached as a whole and with impartiality.

In the same sphere, and bearing in mind the results of the UNCTAD Conference, the Community's Institutions and the Member States are requested, in accordance with the United

Nations development policies, to bring about the gradual achievement of an overall policy for cooperation development on a world wide scale. This will consist of the following:

- (a) the promotion, where necessary, of agreements relating to the basic products of the developing countries for the purpose of stabilizing markets and increasing their exports;
- (b) the improvement of general preferences for the purpose of bringing about a steady increase in the imports of manufactured goods from the developing countries. The Institutions of the Community will, at the start of 1973, examine the conditions necessary for achieving a substantial increase in such imports;
- (c) an increase in public financial aid;
- (d) the improvement of the financial conditions governing these aids, which will benefit mainly the least favoured developing countries, in accordance with the recommendations of the development aid Committee of the OECD.

These matters will be examined and decisions will be taken on them during 1973.

12. With regard to the industrialized countries, the Community wishes to ensure the harmonious development of world trade and is determined:

- (a) to contribute, whilst respecting Community patrimony, to the gradual liberalization of international trade by means of measures which are based on mutual agreement and which relate both to tariff and other barriers;
- (b) to maintain a constructive dialogue with the United States of America, Japan, Canada, and the other industrialized trading partners. A spirit of openness should be maintained and the most appropriate means for achieving this should be used.

In this connection the Community attaches great importance to the multilateral negotiations to be carried out as part of GATT. It will participate in these in accordance with its Declaration made earlier.

For this purpose the Institutions of the Community are requested to make their overall position known by 1 July 1973 at the latest.

The Community hopes that the partners will all strive to complete the negotiations by 1975.

It affirms its wish for the developing countries to participate fully in preparing for and in participating in these negotiations, in which attention should be paid to these countries' interests.

Moreover, in view of the Agreements reached with the EFTA countries which have not joined the EEC, the Community is willing to help Norway seek a rapid solution to the trading problems which it faces in its relations with the enlarged Community.

13. The Community, desirous of fostering the détente in Europe, reaffirms its wish to pursue a common trade policy with the eastern countries from 1 January 1973. The Member States are resolved to promote a cooperation policy based on mutual agreement.

This cooperation policy has, at present, considerable bearing on the preparations for and to the actual taking place of the European Conference on security and cooperation, a field in which the Community and the Member States are called upon to make a concerted and constructive contribution.

Political Cooperation

14. The Heads of State and Government felt that political cooperation between the Member States in the field of foreign policy had begun satisfactorily and should be improved still further. They agreed that consultation would be intensified at all levels, and that in particular the Ministers for Foreign Affairs would in future meet four times instead of twice a year.

They thought that the purpose of such cooperation was to deal with matters of present-day concern and, as far as possible, to define common medium- and long-term positions, bearing in mind, among other things, the implications and effects which the Community policies now being prepared could have in the field of international politics. Close contact will be maintained with the Community Institutions in matters affecting Community activities. They agreed that the Ministers for Foreign Affairs would, between now and 30 June 1973, draw up a second report on means of improving political cooperation, as had been suggested in the Luxembourg report.'

B — Bilateral and multilateral relations

1. GATT. — EXAMINATION OF THE ACCESSION TREATY AND RENEGOTIATION UNDER ARTICLE XXIV OF THE GENERAL AGREEMENT

266. On being signed on 22 January 1972, the Accession Treaty and all related texts were duly communicated to GATT in accordance with the terms of Article XXIV of the General Agreement. Immediately afterwards, the GATT Council set up a Working Party to examine the Treaty in the light of the terms of the General Agreement, particularly Article XXIV, paragraph 5 (a). The Community has naturally followed this work very closely and the Council set up an ad hoc Group of Representatives of the Six and the acceding States to examine all questions relating to this work and to give guidelines on what position the Community Representatives should take with regard to it. The Council itself often had to take a stand on important questions concerning the Community's position on observations and criticisms expressed by other GATT Member States on the consequences they felt the enlargement of the Community would have on their exports to the nine Member States, particularly in the agricultural sector.

Though the Group continued its work throughout 1972, it was not possible to arrive at results acceptable to all the participating countries. Towards the end of 1972 the work of GATT dealt increasingly with questions concerning renegotiation under Article XXIV/6 of the General Agreement. At its session of 19 December 1972, the Council of Ministers was thus forced to adopt Directives allowing the Commission to officially undertake such renegotiations at a date agreed upon by the various GATT Member States, viz. the beginning of January 1973.

2. YUGOSLAVIA

267. The Joint Committee provided for in Article 7 of the Trade Agreement between the Community and Yugoslavia ratified on 1 May 1970, met on 10 and 11 April 1972 in Brussels. At this meeting, the Yugoslav delegation referred to Protocol No 1 in the Trade Agreement — which provides for a phased reduction in levies on imports of full-grown cattle and of beef from Yugoslavia in the third year of the Agreement's application — and asked for the status quo to be maintained for Yugoslavia during the Agreement's third year of application. As a result of this request, in July 1973 the Council, following a proposal by the Commission, adopted a Regulation providing for an independent extension throughout the remainder of the Agreement's

application, i.e. until 30 April 1973, of the import system instituted in the second year of the Agreement to cover imports of full grown cattle and beef from Yugoslavia. Moreover, on various occasions, particularly in memoranda dated 9 November 1971, and 1 March 1972, the Yugoslav Government drew the Council's attention to the fact that the Trade Agreement between the Community and Yugoslavia was due to expire on 30 April 1973 and stressed the necessity of beginning work in 1972 on negotiations for the conclusion of a new agreement. As a result, the Council agreed in principle at its session of 5 and 6 June 1972 that the time was ripe for conducting exploratory talks on the new agreement to be negotiated with Yugoslavia and requested the Commission to enter into contact with the Yugoslav Government before such talks were held in order to obtain information on the various questions brought up in the above memoranda. This information was provided by Yugoslavia in a document dated 14 July 1972, and as a result in October of the same year the Commission was authorized to hold exploratory talks with Yugoslavia.

3. INDIA

268. The Indian Government had frequently asked the Community to commence negotiations with a view to concluding a comprehensive trade agreement. Finally, in September 1970 the Indian Government issued a note asking for negotiations to be undertaken without further delay with a view to concluding a trade cooperation agreement. At this point, it should be mentioned that in the course of negotiations on the enlargement of the Community, the importance of relations between the enlarged Community and the Commonwealth countries, particularly India, had been raised and a declaration of intent concerning relations with these countries had been appended to the Accession Treaty. After concluding negotiations for accession, in July 1972 the Commission, with special reference to this declaration of intent, made a recommendation to the Council concerning the opening of negotiations with India for a trade cooperation agreement. At its session of 4 and 5 September 1972, the Council agreed in principle to opening negotiations with India and agreed to take a final decision on opening negotiations once the necessary directives had been laid down.

4. DIALOGUE BETWEEN THE EEC AND LATIN AMERICA

269. The Council continued to deal with the problem of relations between the Community and the South American countries under the

terms of the dialogue procedure with these countries adopted on 18 June 1971. Thus, on 11 December 1972, a third meeting was held at ambassador level between the representatives of the South American countries and those of the Member States of the Commission of the European Communities. Many specific problems concerning international economic relations were discussed at the meeting as well as some matters of particular concern to bilateral relations between these two groups of countries. The most important results of this meeting were as follows: firstly, the formation of a joint group of trade policy experts which was given the task of presenting a report at the fourth meeting on questions relating to the technical functioning of general preferences and to instituting and reciprocally expanding trade and, secondly, the creation of a joint EEC-Latin American Committee with a view to attaining the objectives of the dialogue between the Community and the South American countries concerning regional integration questions of common interest to both groups.

5. ARGENTINA

270. The first meeting of the Joint Committee provided for in Article 5 of the Trade Agreement concluded on 8 November 1971 between the Community and the Republic of Argentina was held on 31 January 1972. At this meeting the parties outlined various aspects of their current economic activities and stated how these were likely to evolve in the future. Several matters were discussed, including the possibility of importing frozen beef and veal into the Community in 1972, the gradual elimination of deposits required by Argentina for imports from that country, shipping problems, and questions relating to the terms of administrative cooperation under Article 4 of the Trade Agreement on agricultural cooperation.

6. URUGUAY

271. In April 1970, Uruguay asked for negotiations to be opened with a view to concluding a trade agreement with the Community. After holding exploratory talks with Uruguay, the Commission duly submitted on 27 October 1971 a Recommendation to the Council calling for negotiations to be opened. At its session of 31 January 1972, the Council authorized the Commission to open negotiations. These started on 25 April 1972 and continued throughout the year.

7. BRAZIL

272. On 2 June 1971, the Brazilian Government asked for negotiations to be opened with a view to concluding a trade agreement with the Community. Following exploratory talks with Brazil, on 27 July 1972 the Commission submitted a Recommendation to the Council calling for negotiations to be opened. At its session of 4 December 1972, the Council agreed in principle to the opening of trade negotiations with Brazil and undertook to make a final decision on the matter once the necessary guidelines for negotiations had been established.

8. JAPAN

273. Though negotiations with Japan were opened in 1970 with a view to concluding a trade agreement, no further meeting between the two delegations took place during the period under review. However, the question of trade development between the Community and Japan led to numerous contacts being made between EEC and Japanese representatives. The Special Committee provided for in Article 113 also examined the situation on many occasions. By 1972, as a result of these contacts and discussions it became clear that as far as comprehensive trade negotiations were concerned, it was not possible at this stage to make any progress in arriving at bilateral solutions to problems arising in connection with trade relations between the Community and Japan.

9. SPECIAL MEASURES CONCERNING TRADE POLICY

(Textiles)

(a) Yugoslavia

274. It should be mentioned here that the offer made by the Community to UNCTAD (United Nations Conference on Trade and Development) providing for general preferences for cotton textile products covered by the Long-Term Arrangement on international trade in cotton textiles (LTA) could be extended beyond the LTA signatory countries to non-signatory countries on condition that these made undertakings with the Community similar to those provided by the Arrangement. On the basis of this offer, Yugoslavia — not an LTA signatory — requested the Community to open negotiations on an agreement for trade in cotton products with a view to benefiting from the Community's general preferences. The Council examined this request on the basis of a Commission recommendation and in

June 1972 arrived at a decision concerning the opening of negotiations. The decision included directives enabling the Commission to open negotiations in July 1972; these continued throughout the second half of the year.

(b) *Jute and coir products*

275. As the trade agreements on jute and coir products concluded by the Community in 1970 with India and Pakistan respectively were due to expire at the end of 1972, the two countries concerned, i.e. India and Bangladesh (the latter having accepted the rights and obligations contained in the EEC-Pakistan Agreement) requested that new agreements be negotiated, if possible with more substantial concessions on the part of the Community. The Council examined these requests on the basis of a Commission recommendation and at the end of December 1972 arrived at a decision allowing such negotiations to be opened and laying down the necessary directives.

(c) *LTA and GATT work on a new multilateral arrangement*

276. As the Long-Term Arrangement on cotton textiles was to expire on 30 September 1973 and owing to the fact that the state of international trade in cotton textile products — not to speak of wool and synthetic and artificial fibres — was considered to be unsatisfactory by a large number of countries, at the beginning of 1972 the contracting countries in GATT started to study the possibility of replacing the LTA on its expiry with a multilateral system for the entire textile sector. To this end, the GATT Council set up a working party in June 1972 to make a factual study of the economic, technical and social factors affecting world textile trade.

The Community made an active contribution to the work of GATT in this area, and at the end of December 1972 a lengthy report was presented to the GATT Council. The contributions made by the Community representatives were prepared and the guidelines were laid down by the Council bodies, particularly by an ad hoc group in whose work representatives of the acceding countries took part during the second half of the year. It was to be expected that internal work in this area undertaken at the Community level would not simply deal with preparations for GATT meetings but would also provide for more extensive examination of trade policy in the textile sector including the difficulties involved in progressively standardizing the import systems employed by the Member States in this sector.

C – Community relations with the developing countries

1. THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD), SANTIAGO, CHILE

277. In 1972 the most important event for relations between the developing countries and the industrialized countries was the third session of the United Nations Conference on Trade and Development held in Santiago, Chile, from 13 April to 21 May 1972. Although this session of the Conference, in which all United Nations members were represented, was conducted along lines similar to those of the two previous sessions (1964 in Geneva and 1966 in New Delhi), it may nevertheless be considered as a particularly important step in the development of relations between industrialized and developing countries; indeed, discussions between the interested parties went much further than they had in the past, not only between rich and poor countries but within the various geographical groups. Another important result of this meeting was that it showed that UNCTAD could be used to implement development policy.

278. In considering the results of the Conference, it is important to remember that it was faced with a sizeable cleavage between the claims of the developing countries included in the 'Lima Declaration' and the concessions which the industrialized countries were in a position to grant. It must also be remembered that the 'Lima Declaration' — even more so than the Algiers Charter which was drawn up for the second UNCTAD meeting — had to take account of the varied, if not divergent, interests of almost 100 developing countries and that, as an expression of compromise between these interests, it consisted too often of no more than a compilation of the requests made by these countries. The fact that the Conference recognized a group of 25 developing countries as being 'the least advanced' and that it adopted a number of resolutions providing for special measures in their favour, may be considered as an important step in relations between the developing countries and may well constitute a useful guideline for the aid policies of the industrialized countries.

The Conference adopted some 50 resolutions (either unanimously or by majority vote). These may be thought of as constituting a working plan for development aid. Of course not all these resolutions were of equal significance. Some of the most important were the 1973 multilateral trade negotiations on GATT, the international monetary situation and the problem of access to price policy markets for basic commodities.

279. The Community, which has observer status at UNCTAD, was represented by a large delegation at the Santiago session and took an active part in all the work of the conference. On the basis of documentation prepared by the Commission, the Council (latterly at its session of 21 March 1972) and its advisory bodies spent a great deal of time and effort in preparing for the conference particularly with regard to the complex problem of trade with developing countries. In Santiago itself, the representatives of the Member States and the acceding States ensured close and continuous coordination on all questions concerning Community interests. Furthermore, meetings and consultations were held with the representatives of the African and Malagasy States associated with the Community.

2. THE SUMMIT CONFERENCE AND COOPERATION IN DEVELOPMENT

280. The problems of relations between the Community and the developing countries were devoted much attention in 1972. Suffice it to mention the final statement of the Paris Summit Conference which affirmed the Community's wish to 'respond even more than in the past to the expectations of all the developing countries without detracting from the advantages enjoyed by countries with which it has special relations'. Taking account of the results of the UNCTAD conference and of the development strategy adopted by the United Nations, the Institutions of the Community and its Member States were invited to implement progressively an overall policy of co-operation in development on a world-wide scale. The guidelines established by the Summit Conference for basic questions on development were to be the subject of studies and decisions in 1973.

On 26 September 1972, the Council had thorough discussions on the Community's future policy for cooperating in development. The debate, in which Ministers responsible for questions of cooperation in development took part, was based on the Commission's 'memorandum on a Community policy for cooperation in development' as well as on corresponding memoranda from the Member States. At the end of discussions, the Council gave the Committee of Permanent Representatives the task of defining the mandate and membership of the working party responsible for assisting it in problems of development aid. It should be noted that the Working Party 'Cooperation in Development' started its work in autumn 1972.

3. GENERAL PREFERENCES IN FAVOUR OF DEVELOPING COUNTRIES

281. At its session of 19 December 1972, the Council adopted a series of Regulations and Decisions on how general Community

tariff preferences were to be applied in 1973 to benefit manufactured and semi-finished products from the developing countries. These Regulations and Decisions, adopted on the basis of proposals and draft Decisions submitted to the Council by the Commission, led to certain amendments being made to the texts previously adopted by the Council relating to the application of preferences from 1 July 1971 to 31 December 1972. Apart from enlarging the volume of trade able to benefit from the preferences and without prejudice to the inclusion of the new beneficiary countries mentioned below, the terms for 1973 — as far as the original six Community countries were concerned — remained very much the same as those applied in 1972. The new Member States were to apply their own system of generalized preferences until 30 December 1973, as provided for in the Treaty of Accession.

282. The question of including new States in the list of countries benefiting from the Community's general tariff preferences was examined by the Council in 1972 on the basis of documents presented by the Commission. As its sessions of 5/6 and 26/27 June 1972 the Council expressed its agreement on extending preferences to a number of countries which had been admitted to the UNCTAD Group of '77' (Bangladesh, Bhutan, Cuba, Fiji), as well as some countries in the same category as those in the Group of '77' (Oman, Nauru, Western Samoa, Tonga). As to the requests made by a number of Mediterranean countries and Rumania for general preferences to be extended in their favour, the Council agreed to examine the matter at a later stage.

4. MULTILATERAL AGREEMENTS ON BASIC PRODUCTS

283. A negotiatory conference took place in March and in September-October 1972 under the auspices of UNCTAD in order to arrive at an international agreement on cocoa with a view to stabilizing trade in this commodity. The conference followed on from a series of vain attempts to arrive at a cocoa agreement between the consumer and producer countries of which the most important are Ghana, Nigeria, the Ivory Coast, Brazil and Cameroon. The text of the agreement adopted by the conference provided for the following methods to be used to stabilize the market: adjustments in export quotas for producer countries combined with the use of a regulator stock based on the fluctuation of prices on the world market in relation to a scale of prices fixed by the agreement (a minimum price of 23 US cents per pound and a maximum price of 32 US cents per pound).

284. With particular regard to the participation of international organizations such as the European Economic Community in the agreement, and following a proposal by the Community, the conference adopted special terms according to which any reference in the text of the agreement to a 'Government invited to the United Nations' Conference on Cocoa, 1972', can apply to any inter-governmental organization able to negotiate, conclude and apply international agreements, particularly those on basic products; such inter-governmental organizations would not be able to vote but in the event of questions involving their competence being put to vote, would be authorized to dispose of the votes of their Member States and cast them en bloc; in such cases, the Member States of these organizations would not be authorized to exercise their individual voting right.

285. The international agreement on cocoa was open for signature between 15 November 1972 until 15 January 1973 inclusive; it was expected to come into effect on 30 April 1973 after being ratified by the signatory governments.

5. FOOD AID

286. With reference to undertakings within the framework of the agreement on food aid, the period under review was characterized on the one hand by a great deal of work aimed at defining the terms of application at Community level of the 1971 agreement and, on the other, by normal activities relating to aid programmes.

287. The second agreement on food aid which was finalized at the United Nations' Conference on grain at the beginning of 1971 included undertakings for supplies over a period of three years. With a view to implementing the undertakings specified in this agreement, the Council worked towards introducing a new internal system for covering aid operations.

Aiming for greater efficiency, the Council, at its session of 28 February 1972, taking account of the relevant proposals of the Commission, recognized this was an opportunity for increasing the amount of Community action in relation to the total number of undertakings under the agreement as well as ensuring closer coordination in national action carried out bilaterally by the Member States. The Council thus fixed the Community's share of aid at 40% for the financial year 1971/72. Moreover, for the same period the quantity of cereals to be granted to developing countries through the WFP (World Food Programme) as Community aid was set at 15 000 tonnes.

The Council also spoke of the opportunity of strengthening the control of operations so as to allow the Community to ensure in a more concrete way than in the past that aid was carried out in accordance with the desired objectives. Furthermore, it made arrangements concerning the way in which administrative plans were to be drawn up, the objective of Community aid action, responsibility for transportation costs and urgent Community action.

Later at the May and August 1972 sessions, the Council laid down new criteria for the movement of cereals and rules stating how the Community was to cover expenses involved in applying the food aid agreement. The Community's 'own resources programme' made these particularly necessary.

288. In carrying out undertakings included in the first agreement in 1967, the Council concluded many supply agreements with the developing countries and with international bodies operating in favour of such countries. In particular, these included Afghanistan, Algeria, Egypt and Syria, the International Committee of the Red Cross (ICRC) and the World Food Programme (WFP). Moreover, the Council established an implementation plan for 1971/1972 relating to the distribution of aid between the various countries and requesting bodies. Under this plan, aid for some 35 countries and organizations was provided either on an national or Community basis, Community assistance covering 23 of these countries and bodies. Under this plan the Council also concluded supply agreements with Dahomey and Bangladesh. Indeed, the Council paid special attention to Bangladesh because of the extremely dramatic situation of the country at the time.

289. As for food aid in commodities other than cereals granted by the Community outside any international undertaking, the Council decided on two programmes covering dairy produce. The first, adopted on 2 August 1972, provided for 13 000 tonnes of butter oil under the World Food Programme (WFP) and 2 000 tonnes of the same commodity under the United Nations Relief and Works Agency (UNRWA) to be supplied to Palestine refugees. The second adopted, on 19 December 1972, provided for a total quantity of 60 000 tonnes of powdered skim milk to be allocated to the following developing countries and international bodies: Bangladesh, Jordan, Lebanon, Egypt, Ruanda, WFA, ICRC, and UNRWA. In addition, at its session of 26 May 1972, the Council agreed to conclude a supply contract with the WFA for 500 tonnes of egg powder. Finally, on 18 December 1972, the Council concluded an agreement with UNRWA for a three-year assistance programme to refugees in the Middle East countries. This programme

covered the supply of various food products for distribution to needy populations (6 150 tonnes of white sugar, 4 636 tonnes of wheat, 309 tonnes of rice and 1 100 tonnes of powdered skim milk), and on the other, a contribution of 1 610 000 U.A. in cash to cover distribution costs, the construction of distribution centres and the purchase of other food products such as tomato concentrate, corned beef, dried vegetables and fresh produce.

D – Regulations concerning Community trade policy

Harmonization of trade policies

290. During the period under review, the Council under the terms of existing regulations, adopted a number of regulations and decisions which either added to existing regulations on trade policy or governed the application of such regulations. Thus, at the contract policy level, the Council on various occasions authorized the extension of certain trade agreements concluded between Member States and third countries. Similarly it authorized several Member States to negotiate trade protocols for 1973 with the Eastern countries within the framework of long-term agreements concluded with these countries in accordance with the transitional terms of the Council's decision of 16 December 1969 on the standardization of trade agreement between Member States and third countries and on the negotiation of Community agreements.

291. As for independent policies, the Council enacted a series of regulations extending the field of application of regulations covering the establishment of a common system for Community imports. Finally by applying the programme of transitional measures for the progressive standardization of trade relations between Member States and state countries established in July 1971, the Council, at its session of 19 December 1972, made a decision laying down a precise consultation procedure for measures taken by Member States to amend their own import plans.¹

¹ Decision of 10 December 1972, OJ No L 299 (31 December 1972).

CHAPTER VIII

RELATIONS WITH THE COUNTRIES OF THE MEDITERRANEAN BASIN

A — The global solution in relations between the Community and the countries of the Mediterranean basin

292. The enlargement of the Community raised the problem of acceptance by the new Member States of the Agreements concluded by the Community with various countries in the Mediterranean basin. The principle and terms of application of these Agreements to the new members were laid down in Article 108 of the Treaty of Accession. In accordance with the responsibilities delegated to it as part of the Conference of Accession, the Commission contacted the candidate countries and co-contracting non-Community countries in 1971 with a view to drawing up a list of the problems involved. It subsequently submitted to the Council a report, later supplemented by proposals, suggesting that the Community should not confine itself simply to specifying transitional measures and adjustments to enable the new Member States to accept the Agreements, but should furthermore undertake to adapt the substance of those Agreements as a result of the enlargement of the Community. It had become apparent to the Commission that the accession of the three new Member States was such that it would, to a varying extent depending on the circumstances, alter the balance of the Agreements concluded by the original Community.

293. On 20/21 March 1972, the Council thus called on the Permanent Representatives Committee to continue examination of this question, taking into consideration not only the transitional measures and adjustments of a technical nature, but also the adjustments of economic significance which might prove necessary, taking into account the Commission's proposals thereon. Since, in the Council's view, the

basic substance and structure of the existing Agreements could not be tampered with, the planned adjustment was designed to resolve selectively and pragmatically a number of difficulties which the enlargement of the European Communities was likely to raise for countries with which preferential trade links had been established.

294. Work conducted on the basis of these directives gradually revealed how difficult it was to operate on a case-by-case basis and the need to work towards an overall view of Community relations with the various countries of the Mediterranean basin. The problems posed by enlargement of the Community, principally in the agricultural sector, would require an overall appraisal of possible concessions and harmonization of the machinery necessary to protect Community producers against possible market disturbances. In addition, the fact that some of the Agreements (Morocco, Tunisia, Spain, Israel) were shortly due to move into their second stage or be renegotiated on broader bases naturally led, on the one hand, to consideration of possible solutions to the difficulties of enlargement within this far wider context, which also enabled a better equilibrium to be sought and, on the other, to reflection on the kind of relations the Community proposed to maintain in future with the countries of the Mediterranean basin.

This approach was in the last analysis and no doubt overwhelmingly dictated by political considerations: over the years and through a varied assortment of Agreements, the Community had gradually conducted a balanced campaign in the Mediterranean region based on the desire to contribute to its economic and social development and designed to help stability in this sensitive area of the world. It was clearly important, with enlargement of the Community imminent, to consider the expediency of harmonising these various Agreements' or at least grouping them in an overall perspective, and to consider stepping up Community activities in the area. This explains why, after the Council meeting of 5/6 June had confirmed the impossibility of reaching satisfactory solutions by the case-by-case method, the Council called upon the Commission on 26 and 27 June to submit to it, before the October session, concrete proposals for a global approach to the Community's entire relations with the various Mediterranean countries, taking into account the problems created by the new Member States' acceptance from 1 January 1973 of the Agreements previously concluded by the Community. This communication was submitted at the Council meeting of 9/10 October.

295. The Conference of Heads of State and Government in Paris on 19 and 21 October 1972 formally reiterated the objective of a

global and balanced solution by the Community to relations with the Mediterranean basin, thus restating the political importance of this objective as part of the Community's external relations.¹

On 6 and 7 November 1972 the Council, in implementation of this decision by the Summit, discussed the general and political problems of the global solution in detail together with the candidate countries and subsequently examined the principal questions which implementation of this solution raised. As a result of these discussions a number of working hypotheses were retained, notably in respect of those countries to which, if they wished, the global solution would apply, the possible content of the Agreements from the trade point of view (sections on industry and agriculture, reciprocal concessions), the inclusion of a cooperation section in the Agreements and the timetable for negotiations. At the same time the Council called on the Commission to put before it concrete proposals based on these working hypotheses. As a result the Commission submitted a communication to the Council, at the beginning of December, on relations with the Maghreb countries, Spain and Israel. On 18 and 19 December 1972 the Commission laid the concrete proposals outlined in its written communication before the Council which then instructed the Permanent Representatives Committee to examine all the proposals from the Commission and report to it so that they could be discussed as soon as possible.

B — Adaptation of existing Agreements to the new circumstances of the enlarged Community

296. Whilst the prospect of a global solution made it possible for the problems of substance for those countries which would experience them most acutely to be referred to the negotiations on a wider agreement, nevertheless the enlargement of the Community required clarification, in the form of additional protocols, of the nature of the relations which would take effect from 1 January 1973 between the new Member States and each of the States with which the Community had previously negotiated agreements. For this reason negotiations were held with each of the Co-contracting States, though not all of these were completed by 31 December 1972.

297. In the case of Spain and Israel, the two countries most affected by problems of economic adjustment as a result of enlargement,

¹ See para. 265 of this Review

negotiations on the additional protocols were completed by the Commission on 22 December 1972 and are scheduled for signature at the beginning of 1973. These additional protocols specify that the provisions of the existing Agreements with Spain and Israel on trade preferences will not apply to trade in products between Spain and Israel, on the one hand, and the new Member States, on the other, during 1973. Under the provisions of the Act of Accession, however, the three new Member States will apply the mechanisms of the common agricultural policy and in particular reference prices for fruit and vegetables in trade with Spain and Israel as from 1 February 1973. The preamble to the additional protocols states that this solution has been adopted in the light of the Community's declared objective of negotiating new separate Agreements with Spain and Israel during 1973, intended to come into force on 1 January 1974, as part of a global solution to relations between the Community and the Mediterranean countries to be worked out with due regard to these countries' interests.

298. For Morocco and Tunisia, the Council, at its meeting of 30/31 October 1972, issued directives for negotiations to enable the Commission to conclude additional protocols. The negotiations on these will take place in the first few weeks of 1973 and should be concluded without much difficulty, for the following two reasons: the first is that the economic problems likely to be encountered by these two countries as a result of the enlargement of the Community are relatively less important than in the case of Spain and Israel. The traditionally important market of Morocco and Tunisia is, in fact, the Community as originally composed, especially France. The second reason is that the current agreements with Morocco and Tunisia are due to expire on 1 September 1974, after which trade will be continued under new agreements on a broader base, negotiations for which were due to open in September 1972. The Community proposes to indicate in the Final Act that its objective is to conduct the negotiations so that these new agreements can come into force on 1 September 1974, and, if possible, on 1 January 1974 as regards the provisions on trade.

Thus, Morocco and Tunisia have a sufficiently clear idea of their future relations with the Community, with a sufficiently precise timetable, as a framework for consideration of the problems likely to arise as a result of the enlargement of the Community.

299. Greece and Turkey are not included in the global solution, being linked to the Community by an Association Agreement based on a customs union whose timetable is fully set out and on certain joint

activities in other fields. For Greece, the Agreement does not provide for renegotiation with a view to a new and more broadly based agreement, while for Turkey, this renegotiation was effected in 1970 by the conclusion of an additional protocol. In the case of Greece, in fact, enlargement of the Community was found to create only a few problems of substance. Turkey, however, requested amendments to the Agreement. Negotiations with these two countries were not yet completed at 31 December 1972. In the case of Greece, the only difficulty still outstanding is that of the treatment to be given to Greek wines imported into the enlarged Community. For Turkey the problems were more numerous, particularly with regard to agricultural policies and the flexibility clause, which was wider than that already contained in the additional protocol requested by Turkey, to enable the process of industrialization currently under way in that country to hold its own against increased competition from the enlarged Community. Negotiations with Malta have not yet begun.

C — Application of existing agreements

1. THE ASSOCIATION AGREEMENTS

(a) *Greece*

300. During the period reviewed the Council maintained its earlier stand on the Association between the EEC and Greece and confined itself, because of the political circumstances, simply to the day-to-day administration of the Agreement. This was again confirmed by the President of the Council, in connection with the statement on the Council's activities made before the Assembly in March 1972.

301. As regards progress towards establishing the customs union, it should be recalled that, for Greek imports into the Community, there is and has been since 1 July 1968, total tariff derestriction for industrial products, as quantitative restrictions on these products were abolished from 1 November 1962. For the Greek agricultural products listed in Annex III of the Association Agreement — of special importance to Greece — the 'intra' tariff treatment is applied.

On entering Greece, industrial products from the Community have enjoyed an 80% reduction of basic duties since 1 November 1972; industrial products listed in Annex I, however, (articles subsequently manufactured in Greece) only enjoy a reduction of 28% of the basic duty, also since 1 November 1972.

In the case of agricultural products originating in Member States of the Community, Greece has applied the following tariff cuts since 1 November 1972: 80% for products in Annex III (general regulation on the abolition of customs duties), 28% for products shown in Protocol No 13 (regulation tariff derestriction during an extended transition period), whilst larger cuts were also introduced at the same time for ham (46%) European-type cheeses (41.5%) and butter (37%).

As regards the abolition of quantitative restrictions Greece has regularly increased the global quotas, which may be imported without discriminating against Member States, in respect of non-duty-free products into Greece (implementation of Article 26 of the Athens Agreement).

302. During the period under review, the Association Council met twice, at Ambassador level, on 21 June and 13 December. These meetings discussed a variety of problems connected with implementation of the Agreement. The Association Council gave particularly long consideration at each of its meetings to the Greek delegation's request that a system of minimum prices for imports of tomato concentrates from Greece should be introduced and extended. Other questions were also examined, notably implementation of Article 64 of the Agreement, treatment of imports into the Community of fruit and vegetables, in particular, peaches. The Community also raised a number of problems which, in its view, arise with regard to the customs union.

Finally, the Association Council adopted a number of decisions (suspension of the 3% CCT duty on oil of turpentine, fixing the percentage of CCT duties to be taken into account in determining the rate of the levy envisaged by Article 8 of the Association Agreement).

As for the Association Committee, this met on several occasions to prepare — at departmental level — the abovementioned meetings of the Association Council and, in addition, to examine certain problems of a more technical nature.

(b) *Turkey*

303. 1972 was the eighth year of the Association between the EEC and Turkey. It was the first full year of application of the trade system provided for in the additional Protocol. This system had been introduced prematurely on 1 September 1971 as part of an Interim Agreement and extended on 20 July 1972, pending ratification of the Protocol. The procedures for ratifying the Additional Protocol, the second Financial Protocol and the other texts signed on 23 November 1970

were completed this year. These Acts came into force on 1 January 1973. As the partial figures for the last four months of 1971 already suggested, the statistics for 1972 confirm that Turkish exports to the Six have made important advances since the Interim Agreement came into effect on 1 September 1971. At the same time Turkish imports from the EEC continued to make considerable progress, increasing at a faster rate than exports. Turkish imports from the Six were 625.5 million dollars for the same period.

304. During 1972, the Association Council met only once. The meeting was held in Brussels on 20 July, at ministerial level, and was principally concerned with discussing a number of problems of substance connected with the extension of the Association to the new Member States. On this occasion the Turkish delegation also outlined its reasons for asking that Turkey be included among the countries to which the Community granted generalized preferences. At this same meeting the Community also consulted Turkey, in implementation of the Ankara resolution of 2 April 1971, on its intention to conclude agreements with the non-candidate members and associates of EFTA, viz. Austria, Finland, Iceland, Portugal, Sweden and Switzerland.

In addition, to enable Turkey to apply the Protocol it had negotiated in Geneva with a number of other developing countries, the Association Council passed a resolution on 21 June 1972 authorizing Turkey to waive the most-favoured nation clause referred to in Article 17 of this Agreement for thirty or so tariff headings.

The Association Council also passed a number of resolutions on customs matters connected with the coming into force on 1 January 1973 of the Additional Protocol (concerning the compensatory amount laid down in Article 3 of the Additional Protocol, definition of the concept of 'products originating' in Turkey for products listed in Chapter I of Annex No 6, and methods of administrative cooperation between the Parties to the Additional Protocol).

305. The Association Committee met four times in 1972. At these meetings a number of technical problems were considered and the meeting of 17 July 1972 was devoted principally to preparatory work for the meeting of the Association Council on 20 July. At the two meetings of the Joint Parliamentary Committee — the thirteenth meeting in Marmaris from 5 to 8 June and the fourteenth at Catania from 2 to 6 October — the Association Council was as usual represented by its Chairman.

(c) Morocco — Tunisia

306. The bodies of the Association did not meet in 1972. The following problems arose, however, in connection with administration of the Agreements:

It will be recalled¹ that following the establishment in 1971 of a joint marketing organization for fishery products, in September of that same year and after consulting the associated countries, the Community introduced a system of Community import treatment for most of these products originating in and coming from Morocco and Tunisia. For certain fishery products, however, and in particular tinned tuna and sardines (which are the most important item of Tunisian and above all Moroccan fish exports) the lack of a common marketing organization prompted the Community to extend, unilaterally, the application of the national arrangements provided for in Annex 2 of the Association Agreements. In 1972 these national arrangements were again extended from 1 February to 31 December 1972. The continued absence of a common market organization at the end of 1972 obliged the Council to extend these national arrangements once more² until 31 December 1973.

On 30/31 October 1972 the Council passed a resolution authorizing the Commission to open negotiations with Morocco and Tunisia to revise, at the request of those countries, the arrangements applying to imports into the Community of unrefined olive oil originating in and coming from Morocco and Tunisia.³

Pending finalization of the definitive treatment to be given to wines originating in and coming from Morocco, Tunisia and Algeria, the Council once more (in a regulation of 20 July 1972)⁴ extended its unilateral arrangements establishing a transitional system (also applicable to Turkey) involving a 40% cut in the CCT duties, on condition that the reference price was adhered to.

307. It should also be recalled that Article 14 of the Rabat and Tunis Agreements specifies that 'as from the end of the third year at the latest (i.e. 1 September 1972), negotiations may be opened with

¹ See 19th Review, paragraph 418

² EEC Regulations Nos 2827/72 and 2828/72 dated 28 December 1972; cf. OJ No L 298 of 31 December 1972

³ This revision is similar to that mentioned hereafter for Spain (see paras. 303 and 307 of this Review.

⁴ EEC Regulation No 1567/72 dated 20 July 1972; cf. OJ No L 67 of 25 July 1972.

a view to concluding new Agreements on broader bases'. At its meeting of 10 May and on approval of its brief to open negotiations with Algeria, the Council agreed that the new Agreement to be concluded with Morocco and Tunisia should take the form of comprehensive agreements as in the case of Algeria, i.e. should include not only preferential treatment for movements of goods, but also other undertakings connected with economic and financial cooperation. This was an important decision of principle which will, however, have to be implemented as part of work on the global solution described in the first part of this chapter.

(d) *Malta*

308. The first meeting of the Council of Association of the EEC and Malta was held in Luxembourg on 24 April 1972 at ministerial level. The Maltese delegation was headed by Mr Dom Mintoff, Prime Minister and Minister for Foreign Affairs. During this meeting the Maltese Prime Minister raised the question of extending the Agreement to areas of industrial cooperation and agriculture, as he considered the present Agreement to be inadequate and too limited. The following conclusions emerged from this meeting:

'The Council of Association takes note of the declaration by the Community delegation, according to which the Council of the Community:

- has instructed the Commission to open exploratory discussions with the Government of Malta on the requests (concerning Malta's industrial development, the granting of concessions for Maltese agricultural products and a certain relaxation of the rules of origin) expressed by the Maltese delegation at this meeting and which go beyond the Valetta Agreement;
- will pronounce on whether or not to extend the Association Agreement to the above areas in the light of the findings of the Association Committee's activities and the report to be submitted to it by the Commission on its exploratory discussions, taking due account of the need to consult the candidate countries and to consider the context of relations between the Community and the other States bordering the Mediterranean with which the Community maintains close relations.'

In accordance with these conclusions, the Commission held exploratory discussions with the Maltese delegation (from 7 to 10 June 1972) and subsequently submitted a report on them to the Council on 18 July 1972.

2. OTHER AGREEMENTS

(a) *Spain*

309. Under the Agreement between the European Economic Community and Spain, the Joint Committee set up under that Agreement held its second meeting in Brussels on 25 February 1972. This meeting was essentially concerned with examination of a certain number of technical problems connected with implementation of the Agreement. The Community delegation informed the Spanish delegation that in the light of the provisions of Article 5 of the Agreement regarding the most-favoured nation clause, it did not propose to impede Spain's implementation of the Protocol it had negotiated in Geneva in connection with negotiations with other developing countries, provided that it took up a definite position on problems likely to arise in concrete cases, after examining the list of proposed concessions. Work within the Council is continuing on this point.

310. In addition, the Council passed a resolution on 30/31 October 1972 authorizing the Commission to open negotiations with Spain (together with Tunisia, Morocco and Turkey), with a view to revising the treatment of imports into the Community of olive oil (other than refined), originating in and coming from these countries. It will be recalled that this treatment is based on a system of export duties (proof required from the importer that the exporter has duly paid the export duty). The aim of the proposed revision would be to encourage the Community importer to complete the formalities required in order to obtain economic benefit for the exporter and thus remove the disadvantage which has appeared under the system as at present operated, where by the receipt by the exporter of economic benefit depends on the goodwill of the Community importer.

311. In addition, in accordance with the declaration annexed to the Final Act of the Agreement, whereby the Community undertook to grant Spain a number of advantages in the wine sector following the coming into force of the common policy on wine products, the Council gave its Opinion on 7 and 8 February 1972 on the treatment to be given in 1972, as part of the joint Community arrangements, to the wines of Jerez, Malaga, Jumilla, Priorato, Rioja and Valdepenas, on the understanding that these wines are also subject to the provisions governing the common organization of the market in wine products. Following this decision, the Council introduced regulations on 2 and 3 October 1972 regarding the fixing, distribution and administration of the 1972 tariff quotas for the above-named wines. The Council also

passed regulations, on 28 December 1972, for the fixing, distribution and administration of the 1973 Community tariff quotas laid down in the Agreement concerning certain cotton textiles and petroleum products.

(b) *Israel*

312. Under the Agreement between the EEC and Israel, the Joint Committee set up under the Agreement held its second meeting in Brussels on 26 January 1972. This meeting was devoted to consideration of a number of technical problems connected with implementation of the Agreement. Concerning the provisions of Article 5 of the Agreement on the most-favoured nation clause, the Community delegation gave the Israeli delegation information identical to that mentioned earlier in connection with the Agreement with Spain, regarding the implementation by Israel of a protocol it had negotiated in Geneva in connection with negotiations with other developing countries. As in the previous year the Council also, on 28 December 1972, passed a regulation on the fixing, distribution and administration in 1973 of the Community tariff quota laid down in the Agreement concerning certain cotton fabrics.

(c) *Lebanon*

313. The Agreement on trade and technical cooperation between the Community and Member States, on the one hand, and the Lebanese Republic, on the other, which was signed on 21 May 1965, brought into effect on 18 June 1968 and extended for the first time in 1971, was further extended for a period of one year from 1 July 1972. In the declaration prescribed in the annex to the preferential trade agreement between the EEC and the Lebanese Republic, signed on 18 December 1972,¹ it was agreed that the 1965 Agreement would continue to operate normally for those areas not covered by the preferential trade agreement. Furthermore, when negotiations on this latter agreement were concluded, the Lebanese delegation asked that the term of the two agreements be synchronized and that the provisions of Article XII of the 1965 Agreement be amended accordingly. The Council took due note of this request at its 18/19 December 1972 meeting, and it is now being studied.

¹ See paragraph 322 of this Review.

D — New Agreements concluded in 1972

1. EAR

314. At its meeting of 20 and 21 July 1970, the Council decided to open negotiations with the EAR with a view to concluding an Agreement.¹ The negotiations with that country in autumn 1970 were nearing completion when appreciation of the principle of non-discrimination among Member States, their nationals or companies² arise. The negotiations were not resumed until April 1972 when a third negotiating session was held on 27 and 28 April 1972 in Brussels. They ended on 2 October 1972 on the basis of an additional directive of the Council dated 20 July 1972. These negotiations with the EAR culminated in the signature of a preferential trade agreement between the Community and that country in Brussels on 18 December 1972.

315. This Agreement is designed to promote the growth of trade between the EEC and the EAR and thus contribute to the development of international trade. It is concluded for a period of five years and abolishes many of the obstacles to trade between the EEC and the EAR.

The reciprocal concessions made by the two parties are part of the plan to establish a free-trade area by a fixed date. Eighteen months before the Agreement expires, negotiations may be opened on a new agreement on a broader base, by which obstacles relating to the principal trade transactions, in compliance with the terms of GATT, will gradually be removed.

Under the Agreement, the parties agree to grant reciprocal concessions either in the industrial sector or in the agricultural sector.

An additional protocol, introducing the adjustments to this Agreement, rendered necessary as a result of the accession on 1 January 1973 of Denmark, Ireland and the United Kingdom to the Community, was negotiated on 18 December 1972 and signed in Brussels on 19 December 1972. The Agreement and additional protocol are to come into force on the same date, expected to be some time in 1973.

(a) Advantages to the Egyptian Arab Republic

316. In the industrial sector, over 45% of Egyptian industrial products imported into the Community and liable to customs duties

¹ See 18th Review, paragraphs 291, 293 and 296

² See 19th Review, paragraph 427

will receive tariff concessions. Bearing in mind imports which are already zero rated in the Community, it will be found that after the Agreement comes into force, almost 90% of the EAR's industrial exports to the Community will enjoy full exemption or tariff reductions. Generally speaking, there will be a tariff cut of 55% with the following timetable: 45% when the Agreement comes into force and a further 10% as from 1 January 1974. For a number of products, the cut is slightly less (between 35% and 41% for some aluminium products and motor vehicles) or alternatively, it may be granted in the form of a quota (cotton fabrics under heading 55.09: annual quota of 2 500 tonnes;¹ refined petroleum products: annual quota of 200 000 tonnes.²). The Community will not grant concessions in respect of certain products. Apart from products subject to a specific treatment on importation into the Community as a result of implementation of the common agricultural policy, these are generally speaking plywood, blockboard, laminated board or veneered panels, and certain textile products (cotton fibres). As far as quantitative restrictions are concerned, the Community has also removed these completely for the EAR for industrial products with the exception of petroleum products and textile products excluded from the tariff concessions, for which the existing import arrangements and particularly, in the case of textile products, the voluntary restraint arrangements will continue to apply.

317. Concessions are also granted for the EAR's principal exports in the agricultural sector. These concessions cover more than 50% of agricultural products exported by the EAR to the EEC and liable to customs duties or charges. Rice — the production of which involves a considerable part of the EAR's population — enjoys a concession economically advantageous to the EAR, in the form of a 25% reduction in the import charge up to 31 000 tonnes per annum.³ This concession is granted under a septum which guarantees that the level of prices within the Community is not affected. The EAR will charge a special tax on rice exports equal to the amount by which the charge is reduced, which will be recovered in the price on importation into the Community. Onions and fresh garlic enjoy a 50% cut in customs duties, from 1 February to 30 April for fresh onions, and from 1 February to

¹ This figure applies to the Community of Six. The figure for the Community of Nine, as agreed in the additional protocol, should be substituted, viz: 3 250 tonnes.

² This figure applies to the Community of Six. The figure for the Community of Nine, as agreed in the additional protocol, should be substituted, viz: 360 000 tonnes.

³ This figure applies to the Community of Six. The figure for the Community of Nine, as agreed in the additional protocol, should be substituted, viz: 32 000 tonnes.

30 May for fresh garlic. The CCT for citrus fruit (oranges, mandarines, lemons) is cut by 40%. This concession is granted as part of a system of observing a minimum offer price, to ensure maintenance of prices within the Community, and is identical to that for concessions granted by the Community to the other main producers in the Mediterranean Basin. The reduction is granted for as long as the price of Egyptian citrus fruits on the Community's internal market remains higher than or equal to the reference price for the period concerned, increased by the Common Customs Tariff on that reference price and fixed a charge of 1.20 units of account/100 kg. Tariff cuts of 25 to 50% are also envisaged for a number of other products (notably grapefruit, mangoes, certain sweet peppers, watermelons and some frozen or preserved fruits).

(b) *Advantages to the Community*

318. In determining the reciprocal concessions to be granted by the EAR, the authors of the Agreement bore in mind the development requirements of that country. Account was taken of the circumstances in two ways: firstly, in determining the tariff and quota concessions; secondly, by providing in the Agreement for specific provisions aimed at meeting the industrialization needs of the country and its budget requirements.

On the tariff side, the EAR will grant concessions for a number of products classified in three categories, for which the cuts operate in accordance with the following timetable:

| Products | Rate of Cuts | | |
|----------|-------------------------------------|--------------------|--------------------|
| | when the Agreement comes into force | as from 1. 1. 1974 | as from 1. 1. 1975 |
| List I | 30 % | 40 % | 50 % |
| List II | 30 % | 40 % | — |
| List III | 30 % | — | — |

The EAR's concessions mainly apply to products not currently manufactured in that country and which thus have to be imported. These are principally products in chapters 84 (machinery, mechanical appliances and electrical equipment), 28 and 29 (inorganic and

organic chemicals) and a number of agricultural products (fats of cattle, sheep or goats, vegetable oils). Taking into account Community imports already zero-rated on entering the EAR, about 55% of Community exports to that country will be charged at a reduced rate of duty or no duty after the Agreement comes into force. Regarding quantitative restrictions, the Agreement only requires the EAR to observe a standstill and to consolidate its current level of tariff abolition on products originating in the Community. In connection with this, it should be noted that in regard to currency allocations, the EAR undertakes to take the requisite measures to approve the allocation of currency necessary to ensure that good use is made of the concessions, such allocation of currency being based on previous years increasing annually to match the economic development of the EAR.

319. As regards the specific provisions to take account of the EAR's development requirements, these consist primarily of a special safeguard clause for industrialization needs similar to that contained in most of the Agreements with the Mediterranean Basin countries. This provides that if protective measures prove necessary for the industrialization and development needs of the EAR, that country could withdraw the concessions provided that they were replaced by others, in order to preserve the balance of the Agreement. The other specific provision is designed to take account of the EAR's budget requirements and authorizes that country, for the term of the Agreement and in a non-discriminatory fashion, to retain the charges equivalent to the customs duties levied by it at the time the Agreement comes into effect, since these charges are important from the point of view of Government revenue. The EAR is required not to introduce any charges other than those being levied at the date on which the Agreement comes into force.

(c) Other Provisions

320. The Agreement includes a number of other general provisions: a non-discrimination clause relating to the system of trade applied by the EAR to products originating in or for export to the Community; a safeguard clause which may be invoked by either party in the event of economic or balance of payments problems; application by the EAR of the most-favoured-nation treatment to products originating in the Community. The Community will, however, waive application of the latter, clause, if the EAR should set up a customs union or free-trade area or conclude an agreement aimed at regional economic integration. The Community has also confirmed the importance it attaches to efforts by developing countries to promote their own

economic development, particularly as regards trade, and has expressed its approval of implementation by the EAR of agreements concluded to this end within the framework of GATT and in accordance with the rules of GATT. Consequently, it has waived its right to invoke the most-favored-nation clause in the case of the agreements concluded by the EAR with India and Yugoslavia.

321. Administration of the Agreement is entrusted to a Joint Committee composed of representatives of the Community and representatives of the EAR. The task of the Committee is to ensure that the Agreement is properly implemented and it may, to this end, formulate recommendations. It meets once a year on the initiative of its Chairman and, whenever necessary, at the request of one of the Contracting Parties. It may set up any working party which will help it to fulfil its duties.

2. LEBANON

322. At its meeting of 20 and 21 July 1970 the Council decided to open negotiations with Lebanon with a view to concluding an agreement.¹ Negotiations began in autumn 1970. They were subsequently suspended when application of the principle of non-discrimination among Member States, their nationals or companies arose, as in the case of the EAR.² The negotiations were resumed in autumn 1972 and, after a third negotiating session in Brussels on 11 December 1972, were completed on 15 December 1972. These negotiations with Lebanon culminated in the signature of a preferential trade agreement between the Community and that country on 18 December 1972 in Brussels.

323. As this Agreement was negotiated by the original Community of Six, an additional protocol will be negotiated and signed later, and will make the adjustments to that Agreement required as a result of the accession, as from 1 January 1973, of Denmark, Ireland and the United Kingdom to the Community. The Agreement and additional protocol are intended to come into force on the same date, expected to be sometime in 1973.

324. This Agreement is designed to promote the growth of trade between the EEC and Lebanon and thus contribute to the development of international trade. It is concluded for a period of five

¹ See 18th Review, paragraphs 196 to 293.

² See 19th Review, paragraph 127 and paragraph 313 of this Review.

years and abolishes many of the obstacles to trade between the EEC and Lebanon. The reciprocal concessions made by the two parties are part of the plan to establish a free-trade area, by a fixed date. Eighteen months before the Agreement expires, negotiations may be opened on a new agreement on a broader base by which obstacles relating to the principal trade transactions, in compliance with the terms of GATT will gradually be removed. Under the Agreement, the parties agree to grant reciprocal concessions either in the industrial sector or in the agricultural sector.

(a) *Advantages to Lebanon*

325. In the industrial sector, over 58% of Lebanese industrial products imported into the Community and liable to customs duties will receive tariff concessions. Bearing in mind imports which are already zero-rated in the Community, it will be found that after the Agreement comes into force, almost 85%¹ of Lebanon's industrial exports to the Community will enjoy full exemption or tariff reductions. Generally speaking, there will be a tariff cut of 55% with the following timetable: 45% when the Agreement comes into force and further 10% cuts as from 1 January 1974. For a number of products, the cut is slightly less (between 35% and 41% for some aluminium products and motor vehicles) or alternatively, it may be granted in the form of a quota (cotton fabrics under heading 55.90: annual quota of 70 tonnes.² A cut of 30% in the fixed component is envisaged for biscuits under heading 19.08. The Community will not grant concessions in respect of certain products. Apart from products subject to a specific treatment on importation into the Community as a result of implementation of the common agricultural policy, these are generally speaking plywood, blockboard, laminated board or veneered panels, certain textile products (some knitted and crocheted articles, cotton yarn, certain articles of clothing) and refined petroleum products. As far as quantitative restrictions are concerned, the Community has also removed these completely for Lebanon for industrial products with the exception of petroleum products and textile products excluded from the tariff concessions for which the existing import arrangements will continue to apply.

¹ Excluding crude petroleum, which is fully exempt.

² This figure applies to the Community of Six. The figure for the Community of Nine, as agreed in the additional protocol, should be substituted. (It has since been decided to fix the latter figure at 100 tonnes).

326. In the agricultural sector, concessions are also granted for some of Lebanon's principal exports. These concessions cover almost 40% of agricultural products exported by Lebanon to the EEC and liable to customs duties or charges. Taking into account zero-rated imports, almost 79% of Lebanese agricultural exports will enter the Community free of duty or at a reduced rate. Crude olive oil receives a trade preference in the form of flat-rate cut of 0.50 U.A./100 kg on the import charge levied on third countries, and a economic advantage in the form of a reduction, up to 4 u.a./100 kg, on the above charge. This economic advantage is granted on condition that Lebanon applies a special export charge and that this charge is recovered in the price on importation into the Community. This mechanism guarantees that the concession does not affect the level of prices within the Community. The concession is similar to that granted to other countries in the Mediterranean Basin, notably Spain. The CCT for citrus fruit (oranges, mandarines, lemons), is cut by 40%. This concession is granted as part of a system of observing a minimum offer price, to ensure maintenance of prices within the Community, and is identical to that provided for in the concessions granted by the Community to the other main producers in the Mediterranean Basin. The reduction is granted for as long as the price of Lebanese citrus fruits on the Community's internal market remains higher than or equal to the reference price for the period concerned, increased by the Common Customs Tariff on this reference price and a fixed charge of 1.20 U.A./100 kg. Dehydrated onions and garlic enjoy a concession entailing a reduction in duty of 15% and 14% respectively. Finally, tariff cuts of 25 to 50% are also envisaged for a number of other products (notably fresh onions and garlic, grapefruit, mangoes, certain sweet peppers, watermelons, and some frozen or preserved fruits).

(b) *Advantages to the Community on the Lebanese market*

327. In determining the reciprocal concessions to be granted by Lebanon, the authors of the Agreement bore in mind the development requirements of that country. Account was taken of the circumstances in two ways: firstly, in determining the tariff and quota concessions; secondly, by providing in the Agreement for specific provisions aimed at meeting the industrialisation needs of the country and its budget requirements.

On the tariff side, Lebanon will grant concessions for a number of products classified in three categories, for which the cuts operate in accordance with the following timetable:

| Products | Rate of Cuts | |
|----------|-------------------------------------|--------------------|
| | when the Agreement comes into force | as from 1. 1. 1974 |
| List I | 30 % | 70 % |
| List II | 10 % | — |
| List III | 6 % | — |

Lebanon's concessions mainly apply to products not currently manufactured in that country and which thus have to be imported. These are principally products in chapters 84 (machinery, mechanical appliances and electrical equipment), 28 and 29 (inorganic and organic chemicals) and a number of textile and agricultural products (meat, certain cereals, vegetable materials). Taking into account Community imports already zero-rated on entering Lebanon, about 60% of Community exports to that country will be charged at a reduced rate of duty or no duty after the Agreement comes into force. Regarding quantitative restrictions, products which enjoy tariff reductions and other products already duty-free on entry under the Agreement will be consolidated with regard to the Community. In addition, Lebanon undertakes to take all measures necessary to ensure the gradual abolition of duties, compatible with Lebanon's economic development, on those imports which will still be subject to quantitative restrictions when the Agreement comes into force.

328. As regards the specific provisions to take account of Lebanon's development requirements, these consists primarily of a special safeguard clause for industrialisation needs, similar to that contained in most of the agreements with the Mediterranean Basin countries. This provides that if protective measures prove necessary for Lebanon's industrialization and development needs, that country could withdraw the concessions provided that they were replaced by others in order to preserve the balance of the Agreement. The other specific provision is designed to take account of Lebanon's budget requirements and authorizes that country, for the term of the Agreement and in a discriminatory fashion, to retain the charges equivalent to customs duties levied by it at the time the Agreement comes into effect, since these charges are important from the point of view of Government revenue. In addition, Lebanon is not required to refrain from introducing charges other than those levied at the date on which the Agreement comes into force.

(c) Other Provisions

329. The Agreement includes a number of other general provisions: a non-discrimination clause relating to the system of trade applied by Lebanon to products originating in or for export to the Community; a safeguard clause which may be invoked by either party in the event of economic or balance of payments problems; application by Lebanon of the most-favoured -nation treatment to products originating in the Community. The Community will, however, waive application of the latter clause if Lebanon should set up a customs union or free-trade area or conclude an agreement aimed at regional economic integration. The Community has also confirmed the importance it attaches to efforts by developing countries to promote their own economic development, particularly as regards trade, and has expressed its approval of implementation by Lebanon of agreements concluded to this end within the framework of GATT and in accordance with the rules of GATT. Consequently it has waived its right to invoke the most-favoured-nation clause in the case of the agreements concluded by Lebanon with Iraq, Jordan, Syria, the EAR, Saudi Arabia and Sudan.

330. Administration of the Agreement is entrusted to a Joint Committee composed of representatives of the Community and representatives of Lebanon. The task of the Committee is to ensure that the Agreement is properly implemented and it may, to this end, formulate recommendations. It meets once a year on the initiative of its Chairman and, whenever necessary, at the request of one of the Contracting Parties. It may set up any working party which will help it to fulfil its duties.

3. CYPRUS

331. An Agreement establishing an Association between the European Economic Community and the Republic of Cyprus, together with an additional protocol to that Agreement made necessary by the enlargement of the Community, were signed in Brussels on 19 December 1972. Negotiations between the Community and Cyprus for conclusion of the Association Agreement and the additional protocol were completed in three phases in January, April and December 1972 respectively, on the basis of the directives for negotiations adopted by the Council on 30 December 1971 and additional directives drafted at the meetings of 4/5 December and 18/19 December 1972.

332. The Association Agreement is very largely patterned on the Association Agreement concluded with Malta. The two Agreements have the same general structure and most of the provisions are the

same. The only notable difference which should be pointed out is that the Agreement with Cyprus contains agricultural concessions, in particular for citrus fruits, in order to bring Cyprus's competitive position into line with that of its main competitors in the Mediterranean region.

333. The purpose of the Agreement with Cyprus is gradually to remove obstacles to the greater part of trade. This is to be achieved in two stages. Only procedures for the first phase, due for completion by 30 June 1977, have so far been laid down. As regards the second phase, which will, in principle, last five years, the Contracting Parties deemed it wiser to specify its content at a later date, on the basis of experience acquired in the interim. The Preamble and Article 2 of the Agreement, however, state that negotiations may be begun eighteen months before the first phase ends with a view to fixing the terms for creating a customs union between the Community and Cyprus.

334. As regards the content of the first phase, when the Agreement comes into force Cyprus will in essence be given a preferential tariff on industrial products of 70% of the customs duties, with the exception of petroleum products. The Community has also given Cyprus concessions on agricultural products: full exemption for locust beans and a 40% reduction in the CCT for citrus fruits, this latter concession being conditional on the observation of a minimum offer price, similar to other countries of the Mediterranean Basin such as Spain, Morocco and Israel. This was, of course, to avoid disturbing prices within the Community. These agricultural concessions cover some 80% of Cypriot agricultural exports to the original Community.

The concessions to be given by Cyprus in return were determined, taking into account the stage of development reached by that country's economy. Cyprus will thus, generally speaking, cut tariffs in the Community's favour according to a timetable, aiming at a 35% reduction by the beginning of the fifth year. This tariff reduction is partly or totally waived for a number of products, in order to protect sectors of activity which are not yet competitive, or to maintain revenue derived from duties of a fiscal nature. Similarly, the Agreement contains a safeguard clause for industrialization needs, whereby Cyprus may, within certain limits, reintroduce or raise customs duties in order to facilitate the completion of future industrial projects. Lastly, the status quo is to be maintained over quantitative restrictions, though the treatment given to the Community must be at least as favourable as that given by Cyprus to the most-favoured nation.

Another important feature of the Agreement with Cyprus is that it allows that country, like Malta, to continue to enjoy, during the first phase, the preferential treatment it receives from membership of the Commonwealth, the Community deciding not to invoke the most-favoured-nation clause in this respect.

335. It is perhaps useful to give a brief outline of the economic scope of the Agreement; concessions granted by the Community cover 80% of Cypriot exports liable to customs duty, whilst Cypriot concessions cover 85% of dutiable Community exports.

It should be noted, however, that zero-rated imports account for a very large proportion of trade between the two parties. In effect, 84% of all Cypriot exports to the Community and 45% of all Community exports to Cyprus are duty-free on importation.

The Agreement also has the usual general provisions found in the other Agreements concluded with Mediterranean countries, viz.: safeguard clause for economic or balance of payment difficulties, non-discrimination clause, normal provisions on dumping and foreign currency payments, cancellation clause and a protocol defining the concept of 'products originating in'. Administration of the Agreement is entrusted to an Association Council.

336. The Association Agreement is supplemented by an additional protocol designed to regulate trade between Cyprus and the three new Member States of the Community. This will come into force at the same time as the basic Agreement. This additional protocol determines the tariff system which will apply during the transitional period between Cyprus and Denmark and provides for the status quo in tariffs throughout the first phase in relations between Cyprus, the United Kingdom and Ireland, hitherto based on the Commonwealth system of preferences.

In this context it is appropriate to mention the special procedures for exports of 'Cyprus Sherry'. In view of the very considerable importance of this product to the agricultural economy of Cyprus, it was agreed that up to a maximum of 200 000 hl, it would not be subject to the reference price on the British and Irish markets. This exemption will apply for two years, on the understanding that the marketing of the 1974 harvest will be suitably covered.

E — Current negotiations

1. ALGERIA

337. On 10 May 1972, the Council decided to open negotiations with a view to concluding an all-in agreement with that country, i.e. one containing a system of trade preferences plus other measures concerned with economic and financial cooperation.¹

During the first negotiating session held on 10 and 11 July 1972 the Commission, not yet having received any directives from the Council on the proposed area of cooperation, suggested to Algeria that, in the first instance, they should negotiate an interim trade agreement based on the content of the Association Agreements currently in force with Morocco and Tunisia. The Algerian delegation considered most of the Community's offers to be inadequate, particularly on wine and refined petroleum products, and it was also disappointed that the Community made no offers in respect of ECSC products.

The Algerian delegation was also afraid that negotiation of a provisional arrangement of this kind might in fact delay the negotiation and conclusion of the proposed all-in agreement. It was thus not possible to end this first phase of negotiation with an agreement with Algeria. However, it enabled the Algerian delegation to restate² its views on the content of the proposed all-in agreement, both as regards trade and the possibility of cooperation. In this regard the Algerian delegation particularly stressed the importance it attached to the inclusion in the all-in agreement of provisions on labour. In the light of these statements, work in the Council to prepare directives for negotiations on trade and cooperation has been energetically pursued and is currently part of a much wider approach, aimed at working out a global solution for all the Community's relations with the countries of the Mediterranean Basin.

2. JORDAN

338. In a letter of 3 July 1972 the Jordanian Mission notified the Council and the Commission of its Government's wish to open negotiations on a preferential trade agreement with the Community. The Council, at its meeting of 9/10 October 1972, called on the Commission to begin exploratory discussions with Jordan.

¹ At the same time, the Council also decided to open negotiations for all-in agreements with Morocco and Tunisia.

² It had done so earlier in a memorandum to the Commission of the European Communities dated 17 March 1972.

CHAPTER IX

THE ASSOCIATIONS

A — Association with the AASM

339. During the period covered by this Report, relations between the Community and the AASM were governed by the Yaoundé Convention which came into force on 1 January 1971 and was thus in its second year of application.

Before considering the main activities of the Association, it should be noted first of all that the Community briefed the Association Council, which had discussed this subject, on its negotiations with the candidate countries which culminated in the signing of the Acts of Accession in Brussels on 22 January 1972. These Acts, which took effect on 1 January 1973 for the original Community, Denmark, Ireland and the United Kingdom, involve fairly considerable changes in Community life. However, relations between the original Community of Six and the Associated African States and Malagasy are left intact until the expiry of the Yaoundé Convention, i.e. until 31 January 1975. Similarly, until this date, the United Kingdom will maintain its existing relations with the Nations of the Commonwealth.

340. Besides this status quo rule, which guarantees the Associated States the full benefit of the 1969 Convention, the Acts of Accession contain an offer for a number of independent Commonwealth countries to arrange their relations with the Community in one of three ways when the Yaoundé Convention expires. One of these would allow them to subscribe to the Association Convention which will govern relations between the Community and the AASM. The second formula consists in the conclusion of one or more individual Association Agreements on the basis of Article 238 of the Treaty of Rome — comprising reciprocal rights and obligations — particularly with regard to trade. The third formula is the conclusion of trade agreements to assist and develop

trade between the Community and other countries. Negotiations for renewal of the Yaoundé Convention are scheduled to open on 1 August 1973, and the present associates and potential Commonwealth associates have been invited to begin negotiations from that date with the enlarged Community'.

However, one of the independent Commonwealth States did not wish to await the outcome of the future negotiations and expressed its desire to become a party to the Yaoundé Convention immediately. This State is Mauritius, whose links with some of the Member States are of long standing. Signed at Port-Louis on 12 May 1972, the Association Agreement providing for Mauritius' accession to the Yaoundé Convention is at present awaiting ratification by the competent authorities of the Member States and of Mauritius and will, in all probability, enter into force in 1973.

341. At the same time as the negotiations for enlargement of the Community and the accession of Mauritius to the Yaoundé Convention, the Association Council exchanged views on the subject of talks between the Community and the countries of the European Free Trade Association (EFTA) which have not applied for membership. The success of these negotiations means the creation around the Community of a vast economic unit capable of playing an important international rôle and which, when established, is likely to have some effect on the interests of the AASM.

342. In addition, the third UNCTAD Conference held in spring 1972 in Santiago, Chile, provided the Community and the AASM with a further opportunity to make a joint examination of development problems and to look for solutions, in a world-wide context, on the basis of points emerging from the Association Convention.

1. THE INSTITUTIONS OF THE ASSOCIATION

(a) The Association Council and Committee

343. The Association Council held its 13th meeting on 10 October 1972 in Luxembourg. This meeting was prepared by the Council of the European Communities at its meeting of 9 October 1972. During the same period the Association Committee held three meetings, on 24 March (35th meeting), 30 June (36th meeting) and 29 September 1972 (37th meeting).

In addition, the joint EEC-AASM Experts Working Party set up by the Association Committee continued its examination of certain problems regarding the quantitative restrictions on imports into the Associated States. This Working Party also met to prepare, for the Association Council, a draft resolution on the general pattern for financial and technical cooperation. Finally, the EEC-AASM Customs Cooperation Committee continued its examination of the effects of the amendments made to the Brussels Customs Nomenclature on the rules defining the concept of 'products originating in' within the context of the Association.

(b) *The Parliamentary bodies of the Association*

344. The Association Council continued the policy of efficient collaboration which it has been pursuing for several years with the Parliamentary Conference of the Association and its Joint Committee. Thus the President in office of the Association Council, Mr Mohamed Ould Cheyk-Sidia, Minister for Planning and Research of the Islamic Republic of Mauritania, represented the Council at the 8th annual meeting of the Parliamentary Conference which was held from 12 to 14 January in The Hague. On that occasion, Mr Gaston Thorn, Minister of Foreign Affairs of the Grand Duchy of Luxembourg and President in office of the Council of the Communities informed the Parliamentary Conference on the exchange of views held at the 30 November 1971 meeting of the Association Council with regard to enlargement of the Communities. The Parliamentary Conference subsequently adopted a resolution on the report of the Association Council's activities, which the latter duly noted at its meeting of 10 October 1972.

345. In addition, the Joint Committee of the Parliamentary Conference held two meetings in 1972. At the first meeting in Luxembourg from 29 May to 1 June 1972, the Council was represented by its President, Mr Gaston Thorn. The second meeting was held in Ouagadugu (Upper Volta) from 24 to 26 October 1972. On that occasion, the Chairman of the Association Council, Mr Harouna Bembello, presented the 8th Annual Report of the Activities of the Association Council to the Parliamentary Conference and commented on the outcome of the Association Council meeting held on 10 October 1972. Mr T. Westerterp, Under-Secretary of State for Foreign Affairs of the Kingdom of the Netherlands, attended this meeting in his capacity as President in office of the Council of the Communities. He briefed the Commission on the results of the Conference of Heads of State and Government held in Paris on 19 and 20 October 1972.

2. ENLARGEMENT OF THE COMMUNITY AND OF THE ASSOCIATION

(a) *Association of Mauritius with the EEC*

346. In reply to the application of Mauritius to join the Yaoundé Convention, the Council of the European Communities indicated its willingness to open negotiations which were conducted rapidly and which led to the signature in Port-Louis on 12 May 1972 of the Association Agreement between Mauritius and the Community whereby Mauritius acceded to the Yaoundé Convention. On completion of the procedures necessary for the Association Agreement to come into force, Mauritius will thus become the nineteenth member of the AASM.

The main features of this Port-Louis Agreement are as follows: it provides for the creation of an association between the Community and Mauritius, the accession of Mauritius to the Yaoundé Convention and Mauritius' right of appeal against the acts of the EEC-AASM Association Mauritius. When the Agreement comes into force Mauritius will enjoy the same rights and be subject to the same obligations as the AASM.

This principle, however, allows a number of exceptions, the main ones being the timetable for creation of a free trade area between the Community and Mauritius (full customs exemption for products originating in the Community will be implemented gradually) and the application of the decisions of the Association Council on the rules of origin (the Association Council may be requested to make any adjustments deemed necessary to enable Mauritius to conform to the rules of origin).

347. As regards sugar, the main Mauritian export, a Protocol provides for the status quo to be maintained until the Commonwealth Sugar Agreement expires, by reference elsewhere to the texts enacted on this subject in the Treaty of Accession.

With regard to financial and technical cooperation, the Member States of the Community, in order to meet the requirements of Article 60 (3) second subparagraph of the Convention, decided to increase the amount made available to the European Development Fund by 5 million units of account.

In addition, the Board of Governors of the EIB included Mauritius among the beneficiaries of loans granted to the AASM by the Bank from its own resources, in implementation of Article 18 (b) of the Convention.

348. In view of the importance of the Port-Louis Agreement in the context of the enlargement of the Communities, the Association Council and Committee were closely associated with the negotiations by means of the consultations provided for in Article 60 of the Convention. In addition, the Chairman of the AASM Coordinating Committee attended the negotiations. Since the Associated States had been favourable from the outset to Mauritius' application to the Community, discussions in the Association Council and the Committee were brief and mainly concerned the volume of financial aid and implementation of certain concessions granted to Mauritius to enable it to adapt to the system of the Yaoundé Convention gradually and smoothly.

The Associated States expressed their satisfaction at the speedy conclusion of this agreement which protects the interests of the parties to the Yaoundé Convention and the prerogatives of the Association Council, particularly with regard to definition of the concept of 'products originating in'.

349. Since the ratification procedures would take some time, the Association Council, at its meeting of 10 October 1972, decided to invite the representatives of Mauritius to attend the meetings of the Association Council and Committee and their Working Parties as observers, for the period between the signing of the Agreement and its entry into force. At that same meeting the Association Council adopted Decision No 44/72 delegating powers to the Association Committee in order to provide, in relations with Mauritius, for a number of temporary adaptations to decisions by the Association Council on the rules of origin.

(b) Effect of enlargement of the Community on the Institutions of the Association

350. At its meeting of 30 November 1971, the Association Council exchanged views on the problems which enlargement of the Community entailed for the Association. It examined the conditions under which the Yaoundé Convention would be applied as from 1 January 1973. On this occasion, the Community upheld the agreement reached between the original Community members and the candidate countries that existing relations between the original Community and the new Member States and the 18 associated States should be maintained until expiry of the Yaoundé Convention, i.e. until 31 January 1975. It also indicated that the United Kingdom would continue to maintain preferential relations with the member countries of the Commonwealth.

351. At the Association Council's meeting of 10 October 1972, details were given on the composition and operation of the Institutions of the Associations as from 1 January 1973. Since the Council of the European Communities would no longer have six, but nine members, the logic of the various texts required all members of the Council of the European Communities to sit on the Association Council. This change, however, would not affect the way in which the Association operated. In effect, this new institutional arrangement can only be beneficial since it enables the candidate countries to acquaint themselves more easily with the problems of the Association and thus to make the best possible preparation for the negotiations which will open in 1973 with the AASM. At the same time the Associated States will suffer no disadvantages since the Community position under the Yaoundé Convention continues to be determined by the same conditions as those which applied before the Treaty of Accession took effect, i.e. by the Six.

In addition, the United Kingdom, one of the new Member States, will be permitted to maintain its traditional relations with the countries of the Commonwealth up to 31 January 1975. Regarding the period from 1 February 1975 onwards, the Community drew the attention of the Partner States to the terms of the offer made to a number of Commonwealth countries to enable them to adjust their relations with the Community.

3. COOPERATION AT INTERNATIONAL LEVEL

(a) 3rd United Nations Conference on Trade and Development

352. Taking into account the views of the Council of the European Communities with regard to this Conference, the Association Council and Committee provided a virtually constant exchange of views between the Community and the Associated States both before and during UNCTAD III which was held in April and May 1972 in Santiago, Chile.¹

Bearing in mind the links between the Community and the group of industrialized countries on the one hand, and the AASM and the 'Group of 77' on the other, this constant search for the best possible common interest was made possible by consultations organized in Brussels before the Conference opened, and in the Chilean capital, to deal with problems on the agenda. Frank and

¹ See para. 277.

detailed discussions were held. At the Association Committee's meeting of 24 March 1972, the Community notified the Associated States, following a decision by the Council of the Communities, of the broad approach it meant to follow at UNCTAD III with regard to the chief problems affecting the developing countries, and particularly the Associated States. This approach was concerned especially with questions relating to basic commodities, diversification of economies, manufactured goods, export promotion and regional cooperation and integration among developing countries other than AASM. They were also concerned with the 'least advanced' developing countries, the effects of the formation of regional economic groups amongst industrialized countries and the effect of the monetary situation on world trade and development, especially as regards the developing countries.

Setting out their ideas on the problems to be discussed at the Conference, the AASM drew attention to a number of points of special concern to them, particularly basic commodities, in the light of policies directed towards the conclusion of world commodity agreements, maintenance of special tariff preferences, diversification and sharing of markets, generalized preferences, the least advanced developing countries and the effects of the formation of regional economic groupings.

During the Conference, several on-the-spot consultation meetings were held in Santiago, Chile, between the Community delegations and those of the AASM on 24 April, 5 May and 11 May 1972. The two parties were thus able to make known their respective points of view on a whole series of questions discussed at the Conference or specialized Commissions and relating directly or indirectly to the Yaoundé Convention.

353. The Associated States considered the results of this Conference very closely for the lessons to be drawn in respect of development policy and the Association's future. They ascertained that, whilst positive results had been achieved in a number of sectors, particularly in favour of the least advanced countries, no precise commitment had been undertaken for a plan of action in the essential sectors such as basic commodities, which are of vital importance to them. They consequently asked the Community, at the Association Council's meeting of 10 October 1972, to rectify this system of generalized preferences on their behalf and to agree to regular consultations in Brussels with a view to preparing and holding the 1973 multilateral trade talks, so that the talks could not prove detrimental to the advantages they enjoyed on the Community market.

The Associated States also wished to see the Association, which should continue to be of prime importance in Community policy, take concrete measures not only in respect of financial assistance, but also of market outlets and their export prices, notably by the conclusion of regional agreements to stabilize the prices of raw materials.

Lastly, the Community would keep the Associated States regularly informed of the findings of studies it conducted to foster a Community policy of development aid. The Association Council heard an important declaration by the Community which had begun an overall study of development aid problems both at the Conference of Heads of State and Government in Paris on 19 and 20 October 1972 and within the Council of the European Communities. On this occasion the Community expressed its willingness to respect both the spirit and the letter of commitments it had undertaken, particularly vis-à-vis its existing associates.

Like the Community, the Associated States are convinced that the Association will occupy a position of prime importance in a Community policy towards the entire Third World and will be one of the essential elements of this policy.

4. TRADE

(a) *Consultations on generalized preferences in favour of developing countries*

354. In accordance with Article 15 of the Yaoundé Convention and Decision No 35/71 of the Association Council regarding the information and consultation procedure provided for in Title I of the Convention, the Community notified the AASM of the directives drawn up by the Council of the European Communities, renewing for 1972, with a number of adjustments, the generalized preferences granted to developing countries.

355. At the Association Committee's meeting of 24 March 1972, the Associated States emphasized the need, in the present circumstances, to examine the Community's offer, in order to protect the interests of the AASM by achieving a better balance. Furthermore, they opposed a move towards enlarging the list of beneficiaries to include countries which were not members of the 'Group of 77', and requested that there should be detailed consultations within the Association Council on the results of the study then being conducted on this subject by the Commission.

356. At the meeting of the Association Committee on 30 June 1972, the Community informed the Associated States of its common position with regard to the extension, from 1 January 1973, of generalized preferences to certain countries which were all members of the 'Group of 77'. It declared, on the other hand, that no decision to extend the enjoyment of generalized preferences to countries other than those mentioned was likely to be taken in the next few months.

Moreover, as the AASM were experiencing difficulties over their exports of plywood, laminated board and blockboard, the Associated States had asked the Community to review the position of these products within the context of generalized preferences.

357. At the Association Council's meeting of 10 October 1972, The Community confirmed that the Council of the European Communities, in order to allay the anxieties of the Associated States, had decided in the case of plywood, laminated board and block-board, that the ceiling for plywood, laminated board and block-board imported from non-associate developing countries would not be raised in 1973, and that the specific ceiling for each exporting country would be lowered (it was lowered from 50% in 1972 to 20% in 1973).

On this occasion, the Associated States wished to obtain an assurance for the future that the Community would refrain from making any new offer in respect of products being exported, or which might be exported by the AASM, that the list of offers would not be increased until such time as all the developed countries had introduced generalized preferences, and that the list of beneficiaries would remain limited exclusively to the members of the 'Group of 77'.

358. The Council of the European Communities ruled on 17 December 1972 on the extension of generalized preferences for 1973. The measures adopted for 1973, of which the AAMS have been notified, are along the lines of the requests formulated by the Associated States.

(b) *Statements on the negotiations between the EEC and EFTA non-candidate States*

359. In the spirit of Article 15 of the Yaoundé Convention and bearing in mind Decision No 35/71 of the Association Council relating to trade policy procedure, the Community informed the AASM of the progress of negotiations with the non-candidate EFTA countries, viz. Austria, Finland, Iceland, Portugal, Sweden and Switzerland, which culminated in the agreements signed in Brussels

on 22 July 1972. At the Association Council's meeting of 10 October 1972, the Community supplemented the information given by the Association Committee on 24 March, 30 June and 29 September 1972, stressing that the prime objective of these agreements was to avoid the reerection of customs barriers between the candidate and non-candidate countries. It also indicated that, in an effort to take account of the AASM's interests over products of concern to them, the Council of the European Communities had been prompted to lay down a specific safeguard clause in favour of plywood, laminated board and blockboard originating in the AASM. The only comments made by the AASM concerned the agreement with Portugal.

(c) *System applied to agricultural products and tropical products*

(i) Treatment of certain fruits and vegetables originating in AASM countries

360. At its meeting of 20 and 21 March 1972, the Council of the European Communities agreed on the treatment to be given to certain fruit and vegetables originating in AASM countries. These would be exempt from duties but subject to the restrictions of a marketing timetable in the case of some of these products (peas, beans of the species *Phaseolus*, sweet peppers, aubergines, courgettes, melons and the like). When it consulted the Associated States at the Association Committee meeting of 24 March 1972, the Community stated that the timetable would be reexamined by the Council of the Communities one year after introduction of the system, to make any improvements dictated by the development of trade in these products. The Associated States declared that they were not satisfied, as the products concerned had until recently been completely duty-free without any time limit and, furthermore, the treatment envisaged for fruit and vegetables from the AASM was also less favourable than the treatment given to the same products originating in third countries, such as Greece. They emphasized the importance they attached to this point of law and asked that this question should remain on the agenda of the coming meetings of the Association Committee and Association Council.

The Council of the European Communities stood by its position and, at its meeting of 25 April 1972, enacted Regulation No 859/72. The Associated States again raised the problem at the Association Committee meetings of 30 June and 29 September 1972, and at the Association Council meeting of 10 October 1972. The Associated States repeated the comments they had made during their consultations with the Association Committee. The Community, for its

part, expressed understanding of the concern voiced by the Associated States. It confirmed that it did in fact propose to review the treatment in question, by 1 May 1973, to make improvements in favour of AASM exports. However, it stood by its interpretation of the term 'economic interest' given in the aforementioned Protocol No 1 and considered, moreover, that comparison with the treatment given to Greece was not a fair one in this case. In these circumstances, the Community and the Associated States deemed that the best way to solve the difficulties prompted by the treatment in question was to make use of the amicable arbitration procedure provided for in the Declaration in Annex VIII to the Final Act of the Yaoundé Convention, rather than taking their disagreement before the Court of Arbitration of the Association. Under this Declaration, Contracting Parties engaged in a dispute within the meaning of Article 53 of the Convention may, if circumstances permit, avail themselves of an amicable arbitration procedure before taking their differences before the Association Council. This task, which had to be completed no later than 31 December 1972, was entrusted to a person nominated by the two parties, Mr J. Rey former President of the Commission of the European Communities. Mr Jean Rey submitted his conclusions by the end of December and the Community gave its comments on them. It informed the Associated States of its readiness to accept one of Mr Jean Rey's two proposals, for amendment of the timetable contained in Council Regulation No 859/72, provided that the dispute could then be considered as settled. The Associated States declined to comment, saying they would do so at the next meeting of the Association Council.

(ii) Measures to be taken in favour of sugar originating in the AAMS

361. At the Association Committee meeting of 24 March 1972, the Associated States remarked that those of them which exported sugar were unfavourably treated in comparison with the majority of countries which benefit from the Commonwealth Sugar Agreement and that this situation would result in an unbalance in advantages between the Associated States and the potential Associated States as from 1 January 1973, when the Treaty of Accession came into effect. They therefore requested the Community to grant the AASM a preferential price quota of 50 000 tonnes of sugar as from 1 January 1973.

At the Association Council's meeting of 10 October 1972, the Community reiterated that the sugar question would form an integral part of the 1973 and 1974 negotiations for renewal of the Convention

and stated that it would give favourable consideration to the possibility of fixing a preferential quota for a small quantity of sugar originating in the AASM. It also recalled that given the commitments undertaken in Protocol No 22 to the Treaty of Accession, the solution to be found by the enlarged Community for the potential associates of the Commonwealth would apply under the same terms and conditions to the AASM sugar producers. The treatment given to AASM sugar under the present Convention should thus in no way prejudice the solution to be found for all producer States in implementation of the aforementioned Protocol No 22. The Associated States applauded the considerable advances made by the Community in this field, but remarked that the situation was changing so fast that reference to the small quantity quoted five years ago would compromise the dynamic progress of the Association.

(iii) Protection of the designation 'natural vanilla'

362. In 1971 the AASM had brought before the Association the question of the protection of natural vanilla. A proposal for a directive on this product was submitted by the Commission to the Council of the European Communities. It was based on Article 100 of the Treaty of Rome and proposed the approximation of provisions laid down by law, regulation or administrative action by the Member States concerning ice cream and similar edible products. The Community observed that the problem of vanilla was part of a whole body of complex measures. It was, however, fully aware of the importance of the increasing consumption of natural vanilla, particularly for the Malagasy economy, and declared itself favourably disposed to give due consideration to the AASM request, saying that more specific information would be given at a later date, once the experts had been able to work out the most suitable solutions from the technical point of view. After the Association States again raised this problem at the Association Council meeting of 10 October 1972, the Community promised to speed up examination of the Commission's proposal.

(d) *Quantitative restrictions in the AASM*

363. The joint EEC-AASM Expert's Working Party instructed by the Association Committee to examine the question of quantitative restrictions on imports into the AASM continued its work concentrating mainly on the quantitative restrictions notified by the Associated States to the Association Council in accordance with Article 2 (1) of Protocol No 3 to the Convention. It reported to the Association Committee, which held a general exchange of views at its meeting of 24 March 1972. At the Community's request, the AASM furnished

s number of details of the measures concerned during the Association Committee meeting of 30 June 1972. The Community stressed that it wished to know the exact reasons behind the restrictive measures adopted by the Associated States, so as to prevent the development of export patterns which would later have to be broken because of industrialization policies followed by the AASM.

(e) *Definition of the term, 'product originating in' Adoption of Decision No 43/72 of the EEC-AASM Association Council*

364. As a result of changes to the Brussels Customs Nomenclature it proved necessary to make changes to lists A and C of Association Council Decision No 36/71 regarding the definition of the term, 'products originating in' in order to apply Title I of the Association Convention and relating to methods of administrative cooperation.

Basing itself on the work of the Customs Cooperation Committee and the recommendation of the Association Committee, the Association Council adopted Decision No 43/72 at its meeting of 10 October 1972, amending Decision No 36/71, for this purpose.

The Council of the European Communities, for its part, adopted Regulation No 2656/72 concerning implementation of the above-mentioned Decision No 43/72, at its meeting of 6 December 1972.

(f) *Consultation of the banana-exporting Associated States*

365. At a meeting on 13 June 1972, the banana-exporting Associated States were consulted, in implementation of the provisions of Annex XI to the Final Act of the Second Yaoundé Convention, on their ability to supply, on suitable terms, all or part of the quantities of bananas, for which the Federal Republic of Germany had requested an increase in the duty-free tariff quota due to it for 1972, under the Protocol on the Tariff Quota for Import of Bananas annexed to the Treaty of Rome. The outcome of the consultation and of the offers made by the Associated States enabled an agreement to be reached among the delegations of the Member States concerned whereby the supplementary tariff quota for 1972 was fixed at 250 000 tonnes. Following a new consultation on 27 November 1972, it was decided to raise the 1972 supplementary quota by 27 000 tonnes, bringing the total to 277 000 tonnes.

(g) *Problem regarding the sale of bananas produced by the Associated States on the Community market*

366. At its meeting of 10 October 1972, the Association Council heard a declaration by the Associated States on the decline which had been observed for some time in sales of bananas exported to the Community and originating in Somalia.

B — Overseas countries and territories

367. In implementing the Council decision of 29 September 1969 on the association with the OCT, the Council has usually adapted or extended the legislation applying to the AASM. Thus, Council Regulation No 859/72 of 25 April 1972 on the treatment applicable to certain fruits and vegetables originating in the AASM is also applicable to the OCT.

Just as the Association Council had done in the case of the EEC-AASM, the Council of the European Communities, following changes made to the Brussels customs nomenclature, passed a resolution on 6 December 1972, amending the decision of 7 June 1972 defining the concept of 'products originating in' and administrative cooperation methods.

368. In other cases, however, the Council drafted and adopted decisions of a specific nature. The Council also, on 28 July 1972, adopted a decision waiving the decision of 7 June 1971, to make allowance for the special situation of Surinam. This decision, which is valid from 1 August 1972 for a period of one year and renewable by resolution of the Council, lays down that in certain circumstances and up to an annual maximum of 150 000 u.a., calculated on the basis of the ex-factory price, certain articles of clothing manufactured in Surinam are considered as products originating in Surinam provided the value added in Surinam is not less than 30%.

369. In addition, the Council Working Party concerned therewith completed its draft specifications for public works tenders and supply contracts financed by the EDF in the overseas countries and territories (and in the French overseas departments). To allow this text to be applied, the Council subsequently passed a resolution amending the decision of 29 September 1970 relating to association of the OCT with the Community. Title 1 of this general specification, which applies only to public works and supply contracts, contains the regulation provisions which must form an integral part of all tenders and Title 2 the contractual, administrative and technical clauses to which reference will be made, depending on the type of services to be supplied under the special specifications. Adoption of a single procedure for public

works and supply contracts, unifying the basic conditions relating to competition and invitations to tender, constitutes an important contribution towards the creation of equal opportunities of access to markets financed by the Community for all nationals and companies in the Member States and the OCT.

C – Activities of the European Development Fund

370. The Committee of the European Development Fund held eleven meetings in 1972. The favourable opinions expressed by the Committee applied to the projects and programmes financed by both the 2nd and 3rd EDF (EDF 1969).

371. At its 64th meeting on 11 January 1972, the Committee gave favourable opinion on the following project, to be financed by the 2nd and 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|---------------------|--|-----------------------|
| Republic of Rwanda | Power Grid infrastructure Construction of transport lines | 6 094 000 |

The Committee also gave a favourable opinion on the following projects which are to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------------|---|-----------------------|
| Islamic Republic of Mauritania | Complementary survey of the water table of Boulanouar (Water supply for Nouadhibou) | 252 000 |
| The Republic of Niger | Social and cultural programme for women | 65 000 |
| Republic of Mali | Aid for exceptional situation — Disaster | 407 000 |

The appropriate decisions for financing were made by the Commission on 24 January 1972.

372. At its 65th meeting on 22 February 1972, the Committee gave a favourable opinion on the following projects to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------------|---|-----------------------|
| Republic of Burundi | Enlargement of the Teza and Muramvya tea plantations. Additional finance for the Rwegura plantation | 200 000 000 |
| Republic of Rwanda | Continuation and extension of the Cyangugu and Nwaga-Gisakura tea projects | 2 997 000 |
| People's Republic of the Congo | Purchase of a dredger for the port of Pointe-Noire (project No 211.005.20) Addition finance | 522 000 |
| Dutch Antilles | Road construction in Curaçao | 772 000 |
| Surinam | Improvement of the east-west coast road, Coppename-Ingikondré section | 521 000 |
| Republic of Mali | Reconstruction of 2 bridges over the Bagoe and Bafing rivers | 1 008 000 |
| Republic of Mali | Development of rice-growing with controlled flooding in the Ségou region | 11 883 000 |
| Republic of Senegal | Irrigation system for the Nianga district | 6 017 000 |
| Republic of Upper Volta | Continuation of rural development project of the South West Regional Development Office (ORD) | 1 908 000 |

The Committee also passed a favourable opinion on finance to be provided to the whole of the AASM, for a programme to study the prospects of industrialization in the AASM with a view to exporting, amounting to 600 000 u.a. The appropriate decisions for financing were passed by the Commission on 3 and 13 March 1972.

373. At its 66th meeting of 21 March 1972, the Committee passed a favourable opinion for the following projects to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--|---|-----------------------|
| Republic of Chad and Federal Republic of the Cameroons | Survey of the Mundu-Gidjiba (Ngaundere) road | 720 000 |
| Republic of the Cameroons | Programme of selection and propagation of plants for a tea plantation | 137 000 |
| Surinam | Municipal offices for Paramaribo (project 11.41.104) Additional finance | 1 094 000 |

The Committee also passed a favourable opinion on taking financial responsibility amounting to 136 000 u.a. for seconding 4 schoolteachers, to the Member States of the Joint Afro-Malagasy and Mauritius Organization. The appropriate financial decisions were passed by the Commission on 12 April 1972.

374. At its 67th meeting on 25 April 1972, the Committee gave a favourable opinion on the following projects to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|-----------------------------|--|-----------------------|
| Republic of Dahomey | Agricultural and industrial development in the Department of OUEME | 4 213 000 |
| Republic of Dahomey | Development of 10 000 ha. cashew nut plantation | 2 809 000 |
| Republic of the Ivory Coast | Development of rice-growing | 10 335 000 |
| Republic of Senegal | Extension of edible groundnut growing in the Siné-Saloum area | 2 038 000 |
| Republic of Chad | Extension of Abéché hospital – Additional finance | 1 672 000 |
| Central African Republic | Bambari Agricultural College – Additional finance | 739 000 |

| Beneficiary country | Project Title | Approx. total in u.a. |
|---|---|------------------------|
| People's Republic of the Congo and Central African Republic | Purchase of maintenance equipment for waterways | 4 681 000 4 681 000 |

The appropriate decisions for financing were made by the Commission on 10 May 1972.

375. At its 68th meeting on 2 May 1972, the Committee gave a favourable opinion on the following project to be financed by the 2nd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|---------------------|------------------------------------|-----------------------|
| Republic of Senegal | Establishment of a seed department | 2 972 000 |

At the same meeting the Committee gave a favourable opinion on the following project which is to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|---------------------|--|-----------------------|
| Republic of Chad | 5-year development programme for the cotton area | 11 367 000 |

The appropriate decisions for financing were made by the Commission on 18 May 1972.

376. At its 69th meeting on 23/24 May 1972, the Committee passed a favourable opinion on the following projects to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------------|--|-----------------------|
| French Guyana | Cayenne River Crossing | 2 584 000 |
| Malagasy Republic | Development of the Marovoay (COMEMA) plains (left bank) | 1 764 000 |
| Republic of the Ivory Coast | Restructuring of the road network in the Koussou-Bandan region | 3 961 000 |
| Republic of Upper Volta | Asphalting of the Koupéla-Nianguedi section (92 km) of the main Ouagadugou-Lomé road | 6 518 000 |
| Republic of Mali | Completion of the Mopti Regional Health Centre. Grant | 367 000 |
| Democratic Republic of Somalia | Road surveys | 1 040 000 |

The appropriate decisions for financing were made by the Commission on 5 June 1972.

At the same meeting, the Committee gave a favourable opinion on the granting of:

- (a) an interest bonus at a rate of 3% to be applied to a loan to be granted by the EIB to finance the 'UTEXI' — (Industrial Textile Union of the Ivory Coast) — project at Dimbokro (Ivory Coast). The amount of this bonus was fixed at 612 220 u.a., and
- (b) a contribution towards the equity of the 'UTEXI' company — (Industrial Textile Union of the Ivory Coast), by taking a share in capital amounting to 275 000 000 CFA francs.

The appropriate decisions were made by the Commission on 26 June 1972.

377. At its 70th meeting on 27 June 1972, the Committee gave a favourable opinion on the following project, to be financed by the 2nd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------|------------------------------|-----------------------|
| Department of Guadeloupe | Access roads — Leeward coast | 1 643 000 |

At the same meeting, the Committee gave a favourable opinion on the following projects, to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--|---|-----------------------|
| Comoros territory | Water supply for Moroni | 1 602 000 |
| Territory of Wallis and Futuna Islands | Road making equipment for Wallis-Island | 315 000 |
| French Polynesian Territories | Relief road west of Pepeeete | 2 693 000 |
| French Territory of Afars and Issas | Further development of the south break-water of the Port of Djibuti | 410 000 |
| Republic of Upper Volta | Surveying for the Ouagadugu-Kudugu road section (100 km) | 198 000 |
| Rwanda Republic | Extension of small tea plantations. Assistance for the national organization for the development of tea-growing | 7 300 000 |
| Republic of Burundi | Improvement of the Muramvya-Gitega road (project No 211.001.28). Additional finance | 142 000 |

The appropriate decisions for financing were made by the Commission on 7 July 1972.

378. At its 71st meeting on 18 July 1972, the Committee gave a favourable opinion on the following projects to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------------|---|-----------------------|
| Republic of the Ivory Coast | Sending out an experienced schoolteacher | 70 000 |
| Malagasy Republic | Productivity campaign for rice-growing (final stage) | 6 158 000 |
| Malagasy Republic | East Coast coffee scheme | 1 587 000 |
| Republic of Niger | Palletization bay for Niamey Airport | 252 000 |
| Republic of Chad | Improvement of road to Mundu-Kutu Aerodrome | 612 000 |
| Central African Republic | Integrated development programme for the cotton area | 4 798 000 |
| Central African Republic | Water supply for the towns of Bouar and Bambari (project No 211.003.17). Additional finance | 611 253 |
| Republic of Burundi | Technical aid and tea factory for the Tora plantation. Enlargement of the plantation | 1 060 000 |
| People's Republic of the Congo | Farms for cattle rearing in the Niari Valley (Stage 2) | 1 308 000 |

At the same meeting, the Committee passed a favourable opinion on a programme of education grants covering the years 1972 to 1975, amounting to 29 937 000 u.a. for all countries of the AASM and 977 900 u.a. to all associated overseas countries, territories and departments. The appropriate decisions for financing were made by the Commission on 26 July 1972.

379. At its 72nd meeting on 26 September 1972, the Committee gave a favourable opinion on the following project to be financed by the 2nd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|---------------------|--|-----------------------|
| Republic of Togo | Agricultural development scheme in the Kara Valley | 459 000 |

At the same meeting, the Committee gave a favourable opinion on the following projects to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------------|---|-----------------------|
| Republic of Dahomey | Porto-Novo, Yoko, Pobe Road | 4 177 000 |
| Republic of Niger | Completion of the extensions to the millet mill at Tinder | 407 000 |
| Islamic Republic of Mauritania | Enclosure of small, irrigated rice-growing areas | 700 000 |
| Islamic Republic of Mauritania | Survey of the Kiffa-Nema road | 1 080 000 |
| Democratic Republic of Somalia | Construction of the port of Mogadiscio | 11 524 000 |

The appropriate decisions for financing were made by the Commission on 10 October 1972.

380. At its 73rd meeting on 24 October 1972, the Committee gave a favourable opinion on the following project to be financed by the 2nd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|---------------------|--|-----------------------|
| Republic of Niger | Rural development of the Zinder Region | 1 876 000 |

At the same meeting, the Committee gave a favourable opinion on the following project to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------------|---|-----------------------|
| People's Republic of the Congo | Construction of an extra berth (infrastructure) at the port of Pointe-Noire | 4 681 000 |

The appropriate decisions for financing were made by the Commission on 10 November 1972.

381. By a decision dated 26 October 1972, the Commission granted a sum of 49 409 u.a. in the form of a flat-rate interest bonus to be applied to an EIB loan for the extension of a clinker crushing plant at Bomberi (United Cameroon Republic) in the Douala industrial zone. The EDF Committee had approved this project by written procedure.

382. At its 74th meeting on 20 November 1972, the Committee gave a favourable opinion on the following projects to be financed by the 3rd EDF:

| Beneficiary country | Project Title | Approx. total in u.a. |
|--------------------------------|---|-----------------------|
| Islamic Republic of Mauritania | Development of stock raising in South East Mauritania (preliminary phase) | 2 485 000 |
| Guadeloupe | Drinking-water supply for the Grands Fonds zone | 1 620 000 |
| Republic of Chad | Survey of the Bonger-Lai road | 504 000 |
| Republic of Zaire | Akula dyke | 2 069 000 |

383. The Committee also gave a favourable opinion on the financing of training courses and study courses to be organized by the Commission departments in 1973, for nationals of the AASM and OCT countries (award of 84 000 u.a.). In addition a global amount of 145 000 u.a. was fixed for financing the series of symposia and the 'Courrier de l'Association' during 1973. Finally, the Committee gave a favourable opinion on an interest bonus of 2% representing an updated global amount of 358 992 u.a. to be applied to the 3 million u.a. long-term loan from the EIB, to finance replacement and extensions to the rolling stock of the Abidjan-Niger Railway Board (RAN) (Republic of the Ivory Coast and Upper Volta). The appropriate decisions for financing were made by the Commission on 30 November 1972.

384. A decision to provide finance was taken by the Council, since the application had been given an unfavourable opinion by the EDF Committee and the Commission decided, according to Article 15, page 2, of the Internal Agreement on the financing and administration of Community aid, to refer the matter to the Council. The project concerned relates to the 'Establishment of an agricultural and industrial complex for sugar in Banfora', put forward by the Upper Volta and submitted to the 73rd meeting of the EDF Committee (24 October 1972). The differences of opinion concerning procedures for financing the project, whose importance and priority rating for the Republic of Upper Volta were not in question, were eliminated during the Council's preparatory work. The Council was thus able to decide to provide finance for this project on 6 December 1972. In accordance with this resolution, the Council authorized the Commission to grant the Republic of Upper Volta a loan of 5 040 000 u.a. on special terms, as well as non-refundable aid equivalent to approximately 3 241 000 u.a.

Since loans for economic capital investment projects can, in certain circumstances, (under the terms of the Convention) be granted to a business concern, through the State concerned, on terms different from those granted to the beneficiary State, the Council approved the amount of the loan on special terms as follows: the Community would grant a loan of 5 040 000 u.a. to the Republic of Upper Volta at a rate of 1% p.a. for a period of 24 years, commencing repayments after the 10th year. The Republic of Upper Volta was then to reassign the loan, which was to be administered by the European Investment Bank, to the Volta Sugar Company at a rate of 2% p.a. for the same period of time, repayments again to commence after the 10th year. The revenue resulting from the difference in interest rates was to be used to finance the development projects covered by Article 19 of the Association Agreement.

D — Financial and technical cooperation

385. Examination by Council bodies of the various dossiers on financial and technical cooperation within the framework of the association with the AASM and associated overseas countries and territories gave rise to two Council decisions designed to improve procedures for administering the aid provided by the Community.

During its 196th meeting of 30 May 1972 the Council authorized the Commission to carry over to the 2nd EDF the balances of credits from projects completed under the 1st EDF and to earmark them, in accordance with the procedures of the 2nd EDF, for the financing of economic and social investment projects.

At its 217th meeting of 6 December 1972 the Council made a number of amendments to the internal regulations of the EDF Committee. It decided to introduce a speedier procedure to enable action to be taken urgently in the event of disasters within the meaning of Article 20 of the Convention of Association.

386. The Council, as usual, drafted the Community's position within the Association Council regarding implementation of Article 29 of the Convention of Association. At its 13th meeting of 10 October 1972, the Association Council passed a resolution on the broad lines of financial and technical cooperation (Association Council Resolution No 5/72). This Resolution deals with problems of training, administration and operation of investments and measures to be taken with a view to assisting industrialisation of the Associated States.¹

E — The East African States (Kenya, Uganda, Tanzania)

387. During the period covered by this Report, the Council of Association between the EEC and East Africa held a meeting on 21 February 1972 in Nairobi. The Association Committee also had three meetings: 7 January (2nd meeting) and 17 February (3rd meeting) in Nairobi and 10 July 1972 (4th meeting) in Brussels.

In addition a Joint Experts Working Party met on 4 January 1972 in Nairobi to study the conditions governing the issue of AA 1

¹ For the text of this Resolution, see 'Recueil de textes, no III, Convention de Yaoundé de 1969'. (Collected texts, no III, 1969 Yaoundé Convention).

movement certificates for coffee, the replies to the GATT questionnaire on the Arusha Agreement and various problems relating to quantitative import restrictions: these latter problems were studied further at a meeting of the Working Party on 7 July 1972 in Brussels.

Finally, the Customs Cooperation Committee, established under Article 34 of Decision No 1/71 of the Association Council to define the concept of 'products originating in' and administrative cooperation methods, met for the first time on 15 February 1972 in Nairobi. It prepared the work of the Association Committee and Council in connection with the effects of the amendments to the Brussels Customs Nomenclature on the rules defining, the concept within the Association of 'products originating in', and the conditions governing the issue of AA 1 movement certificates for coffee.

388. The setting up of the Parliamentary Committee, provided for in Article 29 of the Arusha Agreement, was an important event for the Association during the period under review. The first meeting was held in Nairobi on 27 and 28 November 1972.

The Committee first laid down its rules of procedure, based on those of other Association Agreements, and elected its officers. The President of the Association Council, Mr J. C. N. Osogo (Minister of Trade and Industry — Republic of Kenya), gave a detailed report of the various activities of the Association Council and touched on a number of points regarding prospects for the future. With this as a basis, the Committee discussed various aspects of the Association and its future in some depth. As a result of this exchange of ideas, the Parliamentary Committee passed a resolution which was forwarded to the Association Council. The Council of the European Communities was represented at this meeting by Mr T. Westerterp, Under-Secretary of State for Foreign Affairs (Netherlands).

389. The subjects dealt with by the Association Committee and Council during the period under consideration were mainly connected either with the measures required to bring the Agreement into force or the problems likely to be raised by its implementation. In this connection the Community stressed that relations between the Partner States and the original Community would remain unchanged until the Arusha Agreement expired on 31 January 1975.

390. In accordance with the Association Agreement, the Partner States of the East African Community submitted their customs tariff which was duly noted by the Community at the Association Com-

mittee meeting of 7 February 1972. The two sides exchanged information on the quantitative restrictions imposed both in the Partner States and the Member States of the European Community. This item was the subject of fairly lengthy discussions within the Association. It became apparent, after several months in operation, that there was a certain amount of uncertainty as to the exact nature of some of the quantitative restrictions both in the Partner States of the East African Community and the Member States of the Community.

391. Protocol No 2 to the Arusha Agreement provides that, notwithstanding the general duty-free treatment given by the Community to imported products originating in the Partner States, the Community may, subject to consultation with the Partner States, take protective measures when imports of tinned pineapple, coffee and cloves exceed a certain ceiling. The ceiling for tinned pineapple was fixed by Protocol No 2 at 860 tonnes per annum, this figure being calculated on the basis of a weighted arithmetical mean of the exports of the Partner States during three reference years (1966, 1967 and 1968). In 1971 protective measures were taken by the Community when imports of tinned pineapple reached 1 680 tonnes. The Community did not, however, reintroduce the supplementary charge on the sugar content of tinned pineapples with respect to the Partner States. The Contracting Parties went into this question at the meetings in February 1972 and particularly at the second meeting of the Association Council on 21 February 1972.

The Partner States asked the Community to take a more liberal attitude to the ceiling provided for in Protocol No 2 and not to apply the safeguard clause unless there were marked disturbances in traditional trade patterns. They also insisted that the consultations which the European Community is obliged to hold, should take place before the Community took the protective measures it considered necessary. Within the Association Committee and Council the Contracting Parties agreed to apply this procedure in future. The Community emphasized, however, that it was difficult, if not impossible, from a legal point of view to alter the amount indicated in Protocol No 2 as an alteration of this sort required ratification by the signatory States. By way of a compromise the Community, after promising to consult the Association States before taking the protective measures provided for under Protocol No 2, announced that in 1972 it would only invoke the provisions of Protocol No 2, if imports of tinned pineapples originating in East Africa came to more than 2 000 tonnes. This solution should enable the Partner States to plan their exports better and avoid suddenly flooding the Community market.

392. The Community also endeavoured to reach an accommodation with the Partner States over other specific difficulties they mentioned. After consulting the Partner States at the Association Council meeting on 21 February 1972, the Community agreed to review its position with regard to the treatment applicable of maize from the Partner States to the Community, by further reducing the import charge from 0.75% to 1%. The Council of the European Communities enacted Regulation No 1466/72 to this effect at its meeting on 10 July 1972.

Regarding the treatment applicable to certain fruits and vegetables originating in the Partner States, the Council of the European Communities enacted Regulation No 860/72 on 25 April 1972 after consultations with the Partner States. This Regulation, identical to the one adopted for the same products originating from the AASM and the Overseas Countries and Territories (No 859/72), provides for the products in question to enter the Community free of duty under a marketing timetable.

393. At the Association Council meeting on 21 February 1972, the Partner States also raised the question of sugar. The work of the Association Committee and Council is not limited to agricultural and tropical products. The discussions on how to present and defend the Arusha Agreement before GATT, culminated in agreement between the Community and the Partner States on the reply which the Contracting Parties should make to the GATT questionnaire. At the Association Council meeting of 21 February 1972 there was a detailed discussion on the way in which the Community should implement the system of generalized preferences.

Protocol No 5 annexed to the Arusha Agreement ensures that the provisions of that Agreement shall not impede the implementation of a system of generalized preferences. The Partner States, however, considered that implementation of the system of generalized preferences was unfavourable to them, in that it upset the internal balance of the Arusha Agreement by reducing the preferences they enjoyed in the Community market. Because of this they asked the Community to consider taking certain compensatory measures to rectify this situation. The Community reserved its position on this question.

394. In the context of the exchanges of information required between the parties to the Arusha Agreement on all matters directly or indirectly affecting the life of the Association, the Community informed the Partner States, at the Association Council meeting on 21 February 1972, of the negotiations in progress with Mauritius on

an Association Agreement with the EEC, granting that country the right of accession to the Yaoundé Convention. This Agreement was subsequently signed at Port-Louis on 12 May 1972. At the same meeting and at meetings of the Association Committee, the Community also informed the Partner States of the progress made in the negotiations for enlargement of the Community and the conclusions reached and of the trade agreements concluded by the Community with the non-candidate EFTA States (Austria, Finland, Iceland, Portugal, Sweden and Switzerland).

Again for the purpose of mutual information and consultation, the Community and the Partner States met for talks at the 3rd UNCTAD Conference held in April and May 1972 in Santiago, Chile.

395. Finally, following the work of the Customs Cooperation Committee and the Association Committee, the Council adopted Decision No 2/72 amending the Association Council's Decision No 1/71 on definition of the concept of 'products originating in' and administrative cooperation methods, in view of the changes made to the Brussels Customs Nomenclature. The Council of the European Communities adopted Council Regulation No 686/72 on 5 April 1972, concerning implementation of Decision No 2/72.

In a related field, a solution was found to a number of difficulties experienced by one of the Partner States over the issue of AA 1 movement certificates for coffee.

CHAPTER X

INSTITUTIONAL, BUDGETARY AND ADMINISTRATIVE MATTERS — MISCELLANEOUS

A — Regulations between the European Parliament and the Council

396. The Resolutions appended to the Treaty on 22 April 1970 implied that two procedures had been laid down for ensuring cooperation between the Council and the European Parliament. The first of these procedures, laying down cooperation on matters of budgetary procedure, was drawn up in 1971, and the second, providing for cooperation in examining Community acts having financial implications, was drawn up in mid-1972. This procedure contains various innovations. As a result, before the European Parliament gives its opinion the Council 'shall forward to this body the information which it has available on estimates of the financial implications of the proposals submitted to the European Parliament for its examination'.

If at the end of the preparatory work for the Council's deliberations there are obvious fundamental divergences from the European Parliament's opinion on important matters, the President of the Council will contact the President of the European Parliament who may be accompanied by the Chairman and/or the Rapporteur of the appropriate committee. If at the time of making its decision the Council differs from the European Parliament's opinion, the President in Office shall inform the European Parliament either in writing or orally.

Under this latter provision Mr Westerterp explained to a delegation from the European Parliament why the Council had not shared its opinion when adopting the Regulation postponing certain deadlines for 1971, 1972, 1973 relating to the granting of assistance from the EAGGF — Guidance Section. The implementation of this

procedure and the procedure establishing cooperation on budgetary procedure was certainly the reason for the increasing liaison between the Council and the European Parliament, although liaison was already quite close and indicated the excellent relations existing between the European Parliament and the Council. The development of these good relations is obviously facilitated by the regular attendance of the President in Office at the sessions of the European Parliament and his frequent attendance at the meetings of Parliamentary bodies and committees.

1. ATTENDANCE OF THE COUNCIL AT PLENARY SESSIONS OF THE EUROPEAN PARLIAMENT

397. As usual the major debates in the European Parliament in 1972 concerned the important problems facing Europe, and also other questions of some interest, even if less important.¹ The President in Office of the Council attended ten out of the eleven sessions of the European Parliament held in 1972 and thus was able to take part in several of these debates.

(a) The Summit

398. In its session of 5 July 1972 the European Parliament held a debate on the Summit Conference of Heads of State and Government Leaders. The President in Office of the Council, Mr Westerterp, the Dutch Secretary of State for foreign affairs took part in this debate. On behalf of the President of the Conference of the Ministers for foreign affairs of the Member States he reviewed the preparatory work which had been done for this Conference. Mr Westerterp had supplied some additional information on this matter at the September session. On that occasion he had expressed the hope that the Summit Conference 'might make a positive contribution to solving the three problems, which, in my opinion, are all part of a single entity, namely the achievement of economic and monetary union, the development of relations outside the Communities and the strengthening of their institutions'.

As the November session, Mr Schmelzer, the President in Office, and Dutch Minister for foreign affairs, gave the European Parliament a review of the results of the Summit Conference. He thought it particularly important that during the Conference the

¹ These oral questions are listed in Appendix I.

Member States or future members of the Communities 'should have confirmed their unanimous desire to continue to build Europe . . . and that they should have clearly defined the principles which should govern the development and accomplishment of this work'.

(b) Agreements with Member Countries and Associate Countries of EFTA not seeking accession

399. At the September session, the President in Office, Mr Westerterp, informed the European Parliament of the contents of the agreements between the Community and the Member Countries and Associates of EFTA, who were not seeking accession. In his opinion 'with these agreements industrial free trade becomes a reality for the whole of Western Europe, which will thus alter its trading pattern profoundly'.

(c) Relations with developing countries

400. The Committee for external economic relations expressed a desire to learn the Council's position on a certain number of points in view of the Conference and what measures it had taken 'to ensure that the Community and the Member States should make a positive contribution to the success' of this Conference. The Committee therefore submitted oral question No 2/72¹ to which Mr Thorn, Minister for Foreign Affairs of the Grand Duchy of Luxembourg, replied at the May meeting. He emphasized that the Community 'had arrived at the conclusion that in future they would have to increase imports from developing countries not only by progressively removing obstacles to trade but also by international agreements on products in appropriate cases'.

401. During this conference there was some discussion on the conditions under which special drawing rights might be granted to developing countries. The Socialists wished to know the Council's opinion on this matter and submitted oral question No 5/72 which was put on the agenda for the July meeting. In reply to this question, Mr Westerterp said that these were 'particularly complex problems which still needed to be studied thoroughly, especially by the IMF. The Member States of the Community will work out a joint policy in the light of this body's discussions, in conformity with the resolution which the Council adopted in March 1971'.

¹ The 8 oral questions to which the Council replied in 1972 are listed in Appendix 1.

402. Another milestone in the Community's policy of cooperation with developing countries was the conclusion of the association agreement under which Mauritius acceded to the Association Agreement between the EEC and the EAMA (Associated African States and Malagasy) associated with the Community. Under the so-called 'Luns' procedure, the President in Office of the Council, Mr Thorn, informed the Assembly of this agreement at the June meeting. He expressed his conviction that 'the success of this action on the part of Mauritius and the way in which the Association Agreement is implemented will be followed very closely by the other Commonwealth countries to whom the offer of association with the Community has been made. The representatives of Mauritius will be able to play a useful role as intermediaries with an informed opinion on the original features of our association with the EAMA signatories of the Yaoundé Convention'.

(d) *Social affairs*

403. At the June meeting Mr Boersma, the Dutch Minister for Social Affairs, gave a report of the meeting of the Council which had just ended which had been attended by the Ministers of Social Affairs from the Member States. He also expressed his views on two social reports on the Assembly's agenda. He emphasized the necessity for cooperation between both sides of industry.

(e) *Transport*

404. At the Assembly's sitting on 4 July 1972, the President in Office of the Council, Mr Cruisinga, the Dutch Secretary of State for Transport and 'Waterstaat' gave the Council's reply to oral question No 6/72 from the Transport Committee on the task to be given to the Commission regarding the opening of negotiations with Switzerland on regulations concerning the temporary immobilization of boats chartered for goods transport on certain waterways. Mr Cruisinga thought that only when the difficulties of finalizing the Community regulations had been resolved would it 'be possible to lay down directives as a basis for conducting these negotiations and to give a ruling on the opening of these negotiations'.

At the December meeting Mr Cruisinga also replied to oral question No 24/72 from the Transport Committee on harmonizing goods vehicles taxation systems. Mr Cruisinga explained the reasons for the delay in adopting a Directive for this and explained that if the Council had adopted the Directive immediately the calculations which

are causing the delay 'would have had to be made a posteriori and the Directive might have had to be amended almost as soon as it had been adopted'.

(f) *Regional policy*

405. The Economic Committee of the European Parliament was worried about the difficulties which the Council was having in making decisions on regional policy and submitted oral question No 13/71 in order to find out what was causing these difficulties. The President in Office, Mr Thorn, replied to this spoken question at the February session. He said that the Council's delay on the timetable which it had set itself was due to the complexity of the problems and the fact that 'the Commission had submitted a second memorandum to the Council on Community action to implement regional policy in the priority agricultural regions in the Community'.

(g) *Annual report*

406. At the European Parliament session of 15 March 1972, Mr Thorn followed the now customary procedure of presenting the Council's annual report, the text of which was distributed to the members of Parliament. The main topics of his speech were the negotiations which had been concluded with the countries seeking accession and the crisis which had shaken international monetary relations. On the negotiations for accession, Mr Thorn emphasized the excellent atmosphere in which these had been held. 'It is this spirit of mutual understanding which enabled us to resolve the difficulties — some of them serious ones — which faced the Community Member States as well as the Acceding States'.

On the international monetary crisis, Mr Thorn said that 'the realignment in the parities of the main currencies under the Washington agreement must be regarded as the start of the process to reform the monetary system'.

(h) *Other debates*

407. At the January session, Mr Thorn replied to oral question No 12/71 from the Legal Committee on proposed Directives relating to freedom of establishment and freedom to provide services in certain sectors for self-employed persons. The President in Office said the Council was 'aware of the considerable effort which still had to be made in order to cut down. . . as far as possible delays over the right

of establishment and freedom to provide services, seeing that all business activities of self-employed persons should have been freed from restrictions before the end of the transitional period'.

408. Since harmonized statistics, amongst other things, were necessary for the smooth running of economic and monetary union, the Economic Committee of the European Parliament submitted oral question No 17/72 requesting the Council to detail what measures it had taken to set up a harmonized Community system of statistics on the balance of payments and to improve monetary statistics at Community level. In reply to this oral question, Mr Westerterp said that 'the Council attaches a great deal of importance to evolving a consistent statistical system within the Community which would enable economic, social and financial situations to be analyzed and compared and would provide the Institutions and the Member States with the data they needed if the measures which they were called on to take were to have a realistic basis'.

409. In reply to oral question No 1/72 from the Energy, Research and Atomic Problems committee, Mr Thorn explained at the May session why there had been some delay in the final adoption of the interim research programme and the corresponding budget for the 1972 financial year. Mr Thorn hoped that this situation would not arise again and stated that the Council would 'do its utmost . . . to ensure that the long-term Euratom programme and the budgetary credits necessary for the 1973 items were approved before the start of the next financial year, in close contact with the applicant countries and under the consultation procedure laid down by the Treaty'.

2. COUNCIL REPRESENTATION AT OTHER PARLIAMENTARY MEETINGS

(a) Meetings of the joint bodies referred to in the association agreement with the associated African and Malagasy States and the East African States

410. The joint committee on the Parliamentary Conference on the EEC/Associated African States and Malagasy Association met twice during 1972. The first meeting was held in Luxembourg on 29 May to 1 June and was attended by Mr Thorn, President in Office of the Council of Association and of the Council of the EEC Ministers. Mr Westerterp, in his capacity as President in Office of the Council of EEC Ministers, attended this Committee's second meeting held at Ouagadougou on 24-26 October 1972. Mr Thorn took part in the parliamentary conference of the EEC/Associated African States and

Malagasy Association which was held at The Hague on 12-14 January 1972. Mr Westerterp attended the constitutive meeting of the Parliamentary Committee with the East African States, who are Community partners, which was held in Nairobi on 27-29 November 1972.

(b) *Meetings of joint bodies referred to in the association agreement with Turkey*

411. The XIIIth meeting of the joint EEC/Turkey parliamentary committee was held at Marmaris on 4-10 June, Mr Thorn took part in some of this committee's work, as did Mr Westerterp, who attended the XIVth meeting in Catania on 2-6 October.

(c) *Meetings of parliamentary committees*

412. Under the procedure laid down by the Council concerning contacts between the Assembly and the Council regarding direct universal voting in parliamentary elections, Mr Thorn discussed this problem with the members of the political committee at a meeting in Luxembourg on 2 March 1972. On 9 May 1972 Mr Thorn took part in the work of the committee for the association with Greece. On 15 September Mr Westerterp attended a meeting of the finance and budget committee which the heads of the Member States audit offices also attended.

Under the procedure for informing the Assembly of commercial agreements, Mr Westerterp gave the substance of the agreement between the EEC and the Arab Republic of Egypt to the Political Committee, the Committee on External Economic Relations and the Committee on Relations with the Associated African States and Malagasy in a meeting held in Strasbourg on 13 November 1972.

3. BUDGETARY PROCEDURE

413. At the beginning of this chapter it was mentioned that in 1971 the Council had drawn up a procedure for cooperation in preparing budgets. The large number of contacts provided for by this text are so closely inter-related that any distinction between those made in plenary session and those made in parliamentary committee would be quite arbitrary.

For this reason they are reported here in chronological order. At the March meeting Mr Thorn gave the European Parliament — for the first time — the Council's reasons for accepting or rejecting the

amendments proposed by the European Parliament when adopting the Communities' budget for the 1973 financial year. It should be noted that this Institution had submitted twenty proposed amendments, of which the Council adopted twelve.

414. The enlargement of the Communities meant that the administrative departments in the various Institutions should prepare for this in 1972, so that they could make a positive start on the work arising from the enlargement, and it also meant that a supplementary amending budget was necessary for that financial year. Mr Westerterp President in Office of the Council, explained this to the European Parliament at the July meeting when he presented the draft amended and supplementary Community budget No 1 for the 1972 financial year.

At the September meeting, in reply to oral question No 12/72 Mr Westerterp gave details of the conditions under which the Community budget for the 1972 financial year had been prepared and a breakdown was then given of the credits relating to research projects.

The Council drew up a draft budget in the light of opinions on the preliminary draft budget which a delegation from the European Parliament had imparted to the President in Office. This draft was submitted to the European Parliament by Mr Westerterp at the October meeting. He explained that the fairly substantial increase in this draft budget compared with that for the previous year was due to a considerable increase in personnel in the various institutions, which was necessary 'to handle the Community's greater work-load and also to allow nationals from the new Acceding Countries to participate fully in the work of the Communities'.

Mr Westerterp also argued the case for the draft budget before the Finance and Budgetary Committee which met at The Hague on 24 October. This draft budget was debated at the November meeting. Mr Westerterp took part and gave some more specific details on points on which certain members of Parliament had called for explanations. The vote was taken at the same meeting in the presence of Mr Schmelzer. A delegation from the European Parliament explained to the Council why it had proposed certain amendments.

4. CONSULTATION OF THE EUROPEAN PARLIAMENT

415. During 1972 the Council asked the European Parliament for its opinion on 140 texts, 13 of these opinions being requested optionally.

5. WRITTEN QUESTIONS

416. During the year under reference the Council received 61 written questions.¹

B – Budgetary matters

1. AMENDING AND SUPPLEMENTARY BUDGET No 1 OF THE EUROPEAN COMMUNITIES FOR 1972

417. On 8 and 13 June 1972 the Commission submitted to the Council the preliminary draft of the amending and supplementary budget No 1/1972 increasing the following credits, viz., emoluments of the President and members of the Commission, correcting coefficients, additional staff, EAGGF and Maintenance Aid and the Publications Office.

418. The Council drew up draft amending and supplementary budget No 1 of the European Communities for the 1972 financial year at its meeting on 26/27 June 1972 on the basis of the preliminary draft. This draft was submitted to the European Parliament on 27 June 1972. At its meeting on 6 July 1972 the Assembly approved draft amending and supplementary budget No 1 without amendments and stated that amending and supplementary budget No 1 of the European Communities was therefore deemed to be finally adopted. On 20 July 1972 the President of the Council stated that the budget had been finally adopted. The total income and expenditure in this budget is 72 804 855 u.a. This amending and supplementary budget No 1 of the European Communities for the financial year 1972 was published in the Official Journal of the European Communities.

2. SUPPLEMENTARY BUDGET No 2 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1972

419. On 30 October 1972 the Commission submitted to the Council preliminary draft supplementary budget No 2 which sought to include in the 1972 financial year the expenses for January 1973 of the EAGGF, Guarantee section, which appear in the draft budget prepared by the Council for the financial year 1973, with the exception of credits allocated to public bodies for the purchase, storage and disposal of goods for which the accounts are closed on 31 December of each year. At its meeting on 7 November 1972 the Council drew up draft supple-

¹ These written questions are listed in Appendix II.

mentary budget No 2 on the basis of the preliminary draft submitted by the Commission. This draft supplementary budget was submitted to the European Parliament on 8 November 1972. At its sitting on 16 November 1972 the European Parliament approved draft supplementary budget No 2 for 1972 without amendment and stated that supplementary budget No 2 of the European Communities for the financial year 1972 was therefore deemed to be finally adopted. The President of the Council stated on 6 December 1972 that this supplementary budget was finally adopted. Total income and expenditure on this budget is 195 190 000 u.a. This supplementary budget No 2 for the financial year 1972 involved some amendments to section III relating to the Committee for the general budget of the European Communities for the financial year 1973: total estimated expenditure for the EAGGF — Guarantee section — for the financial year 1973 was reduced by a sum equal to the increase allocated for the financial year 1972. The supplementary budget No 2 for 1972 was published in the Official Journal of the European Communities.

3. BUDGET OF THE EUROPEAN COMMUNITIES FOR 1973

Preparation of the draft general budget of the European Communities for 1973

420. The preliminary draft of the general budget of the European Communities for 1973 was submitted to the Council by the Commission on 17 August 1972. The Council drew up the draft general budget of the European Communities for the financial year 1973 at its meeting on 26 September 1972 after consultations with the Commission and the Court of Justice and also the delegations of the Acceding States. The draft budget for 1973 was the first draft budget of the enlarged Communities. It was drawn up on the basis of data which had been used to prepare the preliminary draft budget, i.e. for a community of Ten. Before the debate started on the preliminary draft general budget of the European Communities for 1973 the President spoke to the Council on the initial political reactions of the European Parliament to the general shape of this preliminary draft. These initial reactions had given rise to an exchange of views between the President of the Council and a delegation from the European Parliament. This had ensured genuine cooperation between the Council and the Assembly at all stages of the budgetary procedure.

The credits in the draft budget amount to 4 439 352 109 u.a. They are broken down as follows; operating and other credits including expenses of collecting own resources, research and investment, the European Social Fund, EAGGF and Maintenance Aid. Credits allocated to EAGGF alone exceed 3 500 000 000 u.a. The increases in estimated expenditure compared with the credits allocated in the 1972 budget are shown in the following table:

| Nature of expenditure | u.a. | |
|---|---------------------------------|---------------|
| | 1973 | 1972 |
| I. Operating credits | 275 013 965 | 187 908 875 |
| II. Other credits | | |
| — Research and investment ¹ | 85 513 695 | 76 383 543 |
| — Refund of collection expenses | 257 147 449 | 185 175 000 |
| — European Social Fund | 240 750 000 | 97 750 000 |
| — EAGGF Guarantee | 3 007 400 000 | 2 542 000 000 |
| Guidance | (²) 330 000 000 | 285 000 000 |
| — Maintenance Aid | (³) 35 000 000 | 82 823 000 |
| — Re-allocations | | |
| (a) Administrative and operating expenses | 350 000 | 1 548 000 |
| (b) EAGGF Guarantee | 170 000 000 | 145 000 000 |
| (c) EAGGF Guidance | 25 000 000 | 554 551 300 |
| — Maintenance Aid | | |
| Conv. 67, Scheme 68/69 | | 19 300 000 |
| Conv. 67, Scheme 69/70 | 13 177 000 | |

(a) *The estimates for operating credits are broken down as follows:*

| Institutions | Credits 73 | Credits 72 |
|----------------------|-------------|-------------|
| I. Operating credits | | |
| European Parliament | 23 988 175 | 15 960 195 |
| Council | 33 175 915 | 24 944 680 |
| Court of Justice | 6 673 240 | 3 953 120 |
| Commission | 211 176 635 | 143 050 880 |

¹ Of which 63 152 992 u.a. are included in Chapter 98

² Of which 30 000 000 u.a. are included in Chapter 98

³ Of which 45 000 000 u.a. are included in Chapter 98

(b) *The amount of staff authorized for each Institution for the financial year 1973 is as follows:*

| Institutions | Posts | |
|--|-----------|-----------|
| | permanent | temporary |
| European Parliament | 1 016 | 70 |
| Council | 1 212 | 6 |
| Economic and Social Committee | 252 | — |
| Safeguards Committee | 26 | — |
| ECSC Auditor | 5 | — |
| Commission — operation | 6 729 | 178 |
| — research and investment ¹ | 2 277 | — |
| Court of Justice | 223 | — |

¹ Including 521 members of staff

(c) the draft general budget with explanatory notes was submitted to the European Parliament on 4 October 1972. It was presented at the session of 12 October 1972 by the President of the Council.

The Assembly examined the draft general budget at its session of 16 November 1972.

4. FINAL ADOPTION OF THE BUDGET OF THE EUROPEAN COMMUNITIES FOR 1973

421. At its meeting on 5 December 1972, the Council took formal note of the Resolution and proposed amendments adopted by the European Parliament and of the draft general budget of the European Communities for the financial year 1973 as amended by the European Parliament. Before debating this draft budget the Council held a wide-ranging exchange of views on these amendments with a delegation from the European Parliament. The Council then discussed the European Parliament's proposed amendments with the Commission and decided to accept a certain number of them. The Council then finally

adopted the budget.¹ The President of the Council stated that the budget of the European Communities for 1973 had been finally adopted. The total estimated income and expenditure in the budget of the European Communities for 1973 amounts to 4 245 282 241 u.a. The budget for 1973 will be published in the Official Journal of the European Communities. It will be amended during 1973 in view of the enlarged geographical area of the Communities.

5. OTHER BUDGETARY MATTERS

(a) *Discharges given to the Commission in respect of the implementation of the budgets*

422. At its meeting on 6/7 November 1972 the Council gave a discharge to the Commission in respect of the implementation of the budgets and supplementary budgets of the European Communities for the financial year 1969. By letter dated 10 November 1972 the President of the Council notified the European Parliament of these Decisions. The Decisions will be published in the Official Journal of the European Communities.

423. At its meeting on 20 July 1972, the Council decided to submit to the European Parliament the Decision which it will take later on the discharge in respect of the implementation of the 1970 budget, in accordance with the new provisions of Article 206 of the EEC Treaty (180 Euratom, 78 quinto ECSC). The Council also decided that in future it would take all possible steps to coordinate its work with that of the European Parliament so that discharge in respect of the implementation of the budgets could be given within the periods laid down by the new regulations as far as possible.

(b) *Transfer of credits between chapters of the budgetary estimates of the Institutions for 1972*

424. The Council approved various requests for transfer of credits between chapters as proposed by the Commission.

(c) *Carry-over of credits from the financial year 1971 to the financial year 1972*

425. The Council approved requests submitted by the Commission for the following credits to be carried over. At its meeting on 28/29

¹ At the sitting of the Assembly on 16 January 1973, the President of the Council informed the Assembly of the conclusions of the Council's discussions on 5 December and explained why the Council was unable to accept certain of the Assembly's proposed amendments.

February 1972, it approved the request to carry over into the financial year 1972 the unused balance under Article 145 of the 1971 budget (other expenditure), at its meeting of 6/7 March 1972 it approved the request to carry over into the financial year 1972 a credit allocated for studies in the field of the organization of agriculture, at its meeting of 14/15 March 1972 it approved the Commission's request for credit to be carried over from the financial year 1971 to the financial year 1972 which was the balance of some aid granted to the EAGGF — Guarantee section in 1966/1967; at its meeting on 26/27 June 1972 the Council authorized the lists of automatic credits which the Commission had submitted for information to be carried over from the financial year 1971 to the financial year 1972 (under Article 6 — paragraph 1 section (a) of the financial regulation). It also approved the Commission's requests for so-called optional credits to be carried over.

6. FINANCIAL REGULATIONS

426. At its meeting on 24 April 1972, the Council adopted the financial Regulation containing special provisions applicable to the European Social Fund. These provisions will be included in the general financial Regulation when this has been adopted. At its meeting of 7 November 1972, the Council adopted the financial Regulation laying down special provisions applicable to the European Agricultural Guidance and Guarantee Fund — Guarantee section. These provisions will also be included in the general financial Regulation when this has been adopted. At its meeting of 6 December 1972, the Council adopted the financial Regulation waiving for the financial year 1972 Article 9 paragraph 3 of the financial Regulation of 5 February 1964 concerning the European Agricultural Guidance and Guarantee Fund. By written procedure on 28 December 1972 the Council adopted the financial Regulation extending the financial Regulation of 30 July 1968 relating to the preparation and implementation of the budget of the European Communities and the responsibilities of the authorizing officers and the accounting officers, the financial Regulation extending the financial Regulation of 15 December 1969 laying down the procedure for presenting and auditing accounts, the financial Regulation waiving for the financial year 1972 Article 5 of the financial Regulation of 30 July 1968 relating to the preparation and implementation of the budget of the European Communities and the responsibilities of the authorizing officers and the accounting officers, the financial Regulation waiving for the financial year 1972 Article 10 of the financial Regulation of 23 October 1971 relating to the preparation and implementation of the research and investment budget of the European Atomic Energy

Community and the responsibilities of the authorizing officers and the accounting officers. These financial Regulations have been published in the Official Journal of the European Communities.

(a) *Consultation with the European Parliament on Commission proposals to revise and standardize the financial Regulations*

427. At its meeting of 8 December 1972, the Council decided to consult the European Parliament on the following proposals submitted by the Commission: a proposed new general financial Regulation applicable to the budget of the European Communities which would completely replace the proposal submitted on 30 November 1970, a proposed Council Regulation modifying Article 6, paragraph 2, and Article 9, paragraph 1 of Council Regulation No 2/71 of 2 January 1971 implementing the decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources.

7. MISCELLANEOUS

(a) *Advances made available to the Commission*

428. The Council decided to make advances available to the Commission in order to cover the financial needs of the Communities for

| month | meeting on |
|---------------------------|--|
| February 1972 | 24/25 January 1972 |
| March 1972 | by written procedure on 26 February 1972 |
| April 1972 | 13 March 1972 |
| May 1972 | 24/25 April 1972 |
| June 1972 | 29/30 May 1972 |
| August and September 1972 | 20 July 1972 |
| November 1972 | 30/31 October 1972 |
| December 1972 | 5 December 1972 |
| January 1973 | by written procedure on 28 December 1972 |

(b) *Fixing of daily allowance for members of the Consultative Committee of the ECSC*

429. At its meeting on 20/21 March 1972, the Council fixed the amount of the daily allowance for members of the Consultative Committee of the ECSC for each day of a meeting and each travelling day at 1 800 BF with effect from 25 March 1972.

(c) *Medium term financial estimates*

430. At its meeting of 11/12 December 1972, the Council decided to submit to the European Parliament for its opinion the expenditure and income estimates for the budget of the European Communities for the financial years 1973, 1974 and 1975 submitted by the Commission.

(d) *Buildings*

431. At its meeting of 13 March 1972, the Council approved the rental for the restaurant and kitchens in the Berlaymont building for the Commission.

At its meeting of 24/25 April 1972, the Council agreed that the Economic and Social Committee should be located provisionally in wings C and D of the rue Ravenstein building and that the European Parliament staff departments should be located in the boulevard de l'Empereur building and in part of the rue St. Jean building.

C — Staff regulations

1. REVISION OF STAFF REGULATIONS

432. By its Decision dated 30 June 1972, the Council adopted the Regulation laying down the Staff Regulations of officials of the European Communities and the Conditions of Employment of other Community employees. The provisions of the new Regulations represent an improvement on the previous ones in their supplementary measures (half-time working, creation of posts for technical assistants and secretarial assistants, for example) and in their amendments (particularly regarding insurance against illness and the pension scheme).

2. MISCELLANEOUS ALLOWANCES

(a) Allowances for penalty payments

433. On 27 June 1972, the Council adopted two Regulations determining the beneficiaries, and the rates and conditions of the special allowances which may be granted to officials or other employees who are paid from appropriations in the research and investment budget and employed in an establishment of the Joint Research Centre or on indirect action, for certain services of a special nature.

(b) Allowances for particularly arduous working conditions

434. The Regulation laying down the rates and conditions of the Special allowances provided for by Article 100 of the Staff Regulations for certain particularly arduous working conditions was adopted by the Council on 18 August 1972. This regulation lays down a system of allowances for particularly arduous working conditions for certain officials in the scientific and technical categories of the Communities.

3. NEW SYSTEM FOR PERSONNEL IN CATEGORIES C AND D WHO ARE PAID FROM APPROPRIATIONS IN THE RESEARCH AND INVESTMENT BUDGET

435. Following a proposal to abolish certain salary differences between the various categories of personnel working at the Ispra establishment of the JRC and performing the same duties, the Council agreed on 20 July to make available to the Commission an overall budget of 600 000 u.a. to increase in the first instance the emoluments of the local employees at Ispra without altering the legal regulations applicable to them. It was laid down that this overall budget could also be used to increase the emoluments of certain members of staff at Ispra if there were serious discrepancies and on condition that there should be no repercussions on other JRC establishments.

4. DIALOGUE PROCEDURE

436. In a Decision dated 28 February 1972, the Council laid down a procedure for dialogue between the Council and staff representatives. Under this decision dealings between the Council and Community personnel will be based on a dialogue which will range over all the viewpoints of the parties involved in order to produce agreement as soon as possible. The dialogue procedure consists of three

stages, the first being to analyse the technical data and the other two forming part of the work of the Permanent Representatives Committee on the one hand and that of the Council on the other.

5. SALARY ADJUSTMENTS

437. In conformity with the Decision on principle taken on 6 December 1971, the Council, in its meeting on 20 and 21 March 1972, adopted a new calculating method for the regular review of salary levels for officials and other employees of the European Communities. This new method, which comes under the provisions of Article 65 of the Staff Regulations, will be used for an experimental period of three years. Trends in the purchasing power of salaries which lead to amendments in the salary scales are determined annually by the Council on the basis of the index of trends in civil service salaries in the Member States for the past year (a specific indicator) and on the indicator a average gross emoluments in government bodies. Cost of living increases are given by applying correction coefficients. The end of the period under reference has been adopted as the date on which these annual adjustments come into effect. Consequently, in order to correlate the old system with the new method, it was laid down that a 'once only' financial adjustment would be given when the new method first came into force.

438. The Council made its first Decision using the new method on 12 December 1972. This covers the reference period 1. 7. 71 to 30. 6. 72.

439. Certain difficulties arose in interpreting the Council's Decision of March 1972, and so in a statement on 18 December 1972 the Council stated that 'the Regulation of 12 December 1972 does not prejudice the interpretation of its Decision of 21 March 1972'. In the same statement the Council also 'called on the Committee of Permanent Representatives to make a report at the beginning of June 1973 to enable the Council to give a ruling before 1 July 1973 on the proposals to be submitted by the Commission'. These proposals should simplify decision-making on salaries in the future.

6. EFFECTS OF THE ACCESSION OF NEW MEMBER STATES

440. On 4 December 1972, the Council adopted a Regulation introducing special and temporary measures applicable to the recruitment of officials for the European Communities consequent upon the accession of new Member States and for the termination of service of

officials of those Communities. This Regulation allows a certain number of temporary waivers in respect of a number of articles in the Staff Regulations relating to recruitment because of the need to be able to recruit nationals from the new Member States efficiently and quickly. Since the enlargement of the Communities also necessitates a certain 'outward movement' among existing officials in grades A1 to A5, certain provisions have been adopted by the Council. These are based on the provisions which were applied in 1968 when the Executives were merged, but some improvements have been made in the terms of compensation for the officials affected. All these provisions reflect the Council's desire to enable the Institutions to agree to most requests for voluntary withdrawal where the interests of the department allow it.

441. Two further Regulations have also been adopted by the Council which arise from the Regulation mentioned in paragraph 1 above concerning the system of Community tax and the list of officials and employees to whom certain provisions of the Protocol on the privileges and immunities of the Communities apply.

D — Environment

1. START OF THE COUNCIL'S WORK ON ENVIRONMENTAL PROTECTION

442. One of the features of 1972 was the work started by the Council on the environment. The Council had several study documents available on this matter. On 2 August 1971, the Commission had officially informed the Council of its intentions by submitting its 'First Commission memorandum on Community policy on environment'. On 24 March 1972, the Commission submitted a 'Second Commission memorandum to the Council on a European Communities' programme on environment'¹ which dealt with some of the comments on the first memorandum. Meanwhile, the French Government had expressed its views to the Council in a memorandum which it submitted on 20 January 1972 on the instigation of a European scheme of cooperation in environmental protection.

2. PLAN OF ACTION

443. Since the Conference of Heads of State and Government Leaders of the Member States and Acceding States of the European Communities, held in Paris on 19-21 October 1972, had called on the

¹ OJ No C 52 of 26 May 1972

Institutions of the Communities to draw up a plan of action and a detailed timetable by 31 July 1973, the Ministers of the Member States of the enlarged European Community who are concerned with environmental protection, together with Mr Spinelli, a Member of the Commission, held a Conference of Ministers in Bonn on 31 October 1972. The speakers at this Conference laid down a number of guidelines for a plan of action on the environment and expressed the view that the Council would have to meet at regular intervals to draw up the plan of action by 31 July 1973 as required by the Heads of State and Government. In order to draw up this plan of action an 'Environment' Committee had been formed within the Council. The delegations and the Commission representatives, acting as members of this Committee, started to discuss a plan of action based on the Commission's second memorandum.

3. AGREEMENT ON INFORMATION CONCERNING THE ENVIRONMENT

444. At the time of submitting its memorandum on a joint plan of action, the Commission also submitted to the Council a draft agreement produced by the Government Representatives of the Member States, at a meeting within the Council, concerning the provision of information to the Commission in order to harmonize priority measures on the environment throughout the Community. Once the Member States and the Commission had reached a large measure of agreement on the proposed Regulations, the Council confirmed at its meeting on 18/19 December 1972 that these Regulations would provisionally take the legal form of an agreement between Member States which had been proposed by the Commission, on the understanding that the legal form would be finalized when the Council adopted the plan of action on the environment.

4. RELATIONS WITH OTHER INTERNATIONAL ORGANISATIONS

445. To meet the special case arising from the implementation of the procedure for notification and consultation on the OECD, the Commission proposed in a memorandum submitted on 16 July 1971 that the Council should adopt certain rules in order to prevent the occurrence of any conflict between the policies of the Member States and those of the Communities during this procedure. The Council's work on this matter was at an advanced stage. Independently of this project, the Member States and the Commission have always coordinated their views in the OECD Committee for the Environment. In addition, the Member States, Acceding States, and the Commission have coordinated their views in the course of several meetings at the

UNO Conference on the Environment, which was held in Stockholm on 5-16 June 1972 and at the 27th General Assembly of the UNO, which expressed its views on the work of the Stockholm Conference.

E – Education and young people

(a) Cooperation in the field of education

446. A committee of senior education officials and representatives of the Acceding States held regular meetings under the *aegis* of the Permanent Representatives Committee in accordance with the mandate which it had been given by the Conference of the Government Representatives of the Member States when they met in Council¹. The task of this committee was to discuss methods of cooperation between Member States in the field of education, and to set up a European centre for educational development as proposed by Mr Guichard, the French Minister of Education. For this the French delegation submitted a draft Convention and the Belgian delegation a draft protocol to append to the Rome Treaties. The other delegations submitted several papers.

Following the committee's work in 1972 a draft report was drawn up for a further meeting between the Conference and the Council (to be held probably in Spring 1973) on education. This report is chiefly concerned with the objectives and basis of the scheme of cooperation to be introduced, the geographical area in which this cooperation will take place, the aims of the scheme and an institutional system. It will be possible to draw up a final document in April 1973.

2. CREATION OF A EUROPEAN UNIVERSITY INSTITUTION

447. The Convention creating a European University Institution and a protocol on the Institution's privileges and immunities was signed in Florence on 19 April 1972. At present these documents are being ratified in the States which have signed the Convention. A statement accompanying Article 30 of this Convention provides for the creation of a preparatory committee made up of government representatives and a Commission representative (without voting rights). This Committee's task is to carry out the necessary preparatory work for operating the Institution when the Convention comes into force.

¹ See 19th Review, paragraph 132

The Preparatory Committee of the Institution has met regularly at Brussels together with representatives of the Acceding States. It has completed all the work necessary to set up the organization of the Institution when the Convention comes into force (planned for the second half of 1973). It has drawn up an agreement on the location of the Institution, and also a provisional 'university profile' for the Institution, (i.e. teaching methods and subjects, research methods and subjects, duties of lecturers and research workers) and it has made arrangements for the Institution to be set up in Florence (provisionally in the Badia Fiesolana, and ultimately at the Villa Tolomei); it has drawn up criteria for lecturing and administrative staff regulations; it has discussed budgetary and financial matters, e.g. the preparation of a budget, written rules and discussion of the allocation of grants to research workers, the Institution's library, and the subscription of the new Member States to the Convention. On 26 December 1972, the Italian Government stated that the Italian Parliament had approved the law authorizing the ratification and execution of the Convention.

3. INVOLVEMENT OF YOUNG PEOPLE IN BUILDING EUROPE

448. In its work to involve young people in building Europe, the Commission submitted a 'Memorandum on following up item 16 of the Hague Communiqué' to the Council on 1 February 1972, based on the Council's report¹ and its own contacts with youth movements. Attached to this report are two recommended Council Decisions to set up a Committee for youth matters and a Consultative Committee for young people. On 28 February 1972 the Council agreed to consult the European Parliament optionally on this memorandum.

¹ See 19th Review, paragraph 128

APPENDIX I

Appendix I

List of oral questions to which the Council replied during the reference period

- Oral question No 12/71: Progress of Council work on proposals for directives on the freedom of establishment and the freedom to provide services for certain self-employed activities
- Oral question No 13/71: Regional structural policy
- Oral question No 1/72: 1972 Research Budget and adoption of the long term programme for Euratom
- Oral question No 2/72: Community activity at the Santiago world Conference on trade and development
- Oral question No 5/72: Conferring of special drawing rights on the developing countries
- Oral question No 6/72: Mandate to be conferred on the Commission of the European Communities with a view to opening negotiations with Switzerland on a regulation concerning the temporary immobilization of ships used for transporting goods on certain waterways
- Oral question No 12/72: Budgetary consequences of the Euratom five-year research and teaching programme on data processing following the Council decision of 25 April 1972 — Parliamentary Consultation.
- Oral question No 17/72: Present state of harmonization in statistics
- Oral question No 24/72: Harmonization of tax structures for utility vehicles

Appendix II

Questions put to the Council and Members of the Assembly 1971-1972

| QUESTION | | SUBJECT | REPLY | | |
|----------|------|----------------------|--|-------|---------|
| No | Date | | Put by | OJ No | Date |
| 504/71 | 12.1 | Mr. Vredeling | Relations between the Community and the Soviet Union and Comecon countries | C 57 | 3.6.72 |
| 520/71 | 20.1 | Mr. Vredeling | An order from Germany to the Dutch Construction Group 'Verenigde Bedrijven Bredero' | C 35 | 11.4.72 |
| 521/71 | 20.1 | Mr. Vredeling | The Communities' right to take legal action against EEC staff | C 97 | 23.9.72 |
| 522/71 | 20.1 | Mr. Vredeling | Exclusion of East Germany from the International Environment Conference | C 97 | 23.9.72 |
| 523/71 | 24.1 | Mr. Gerlach | Use of plant and equipment in joint research centres | C 97 | 23.9.72 |
| 532/71 | 25.1 | Mr. Vredeling | Oslo Conference on North Sea pollution | C 86 | 10.8.72 |
| 537/71 | 26.1 | Mr. Glinne | Participation by Member States' subjects in the civic and political life of their local municipalities | C 97 | 23.9.72 |
| 551/71 | 1.2 | Mr. Vredeling | Meeting of Member States' Finance Ministers in Rome | C 35 | 11.4.72 |
| 556/71 | 3.2 | Messrs Vals and Oele | Premature resignation of Commissioners | C 49 | 18.5.72 |

| QUESTION | | | SUBJECT | REPLY | |
|----------|------|---|--|-------|----------|
| No | Date | Put by | | OF No | Date |
| 577/71 | 11.2 | Miss Orth Mr. Adams Mr. Fellermater Mr. Flämig Mr. Gerlach Mr. Kriedemann Mr. Lange Mr. Lauten- schlager Mr. Schwabe Mr. Seefeld Mr. Wolfram | 'Les dilapidateurs de fonds de Bruxelles' an article published in the November 1971 issue of 'Capital' | C 110 | 18.10.72 |
| 578/71 | 11.2 | Mr. Vals | The situation in Northern Ireland | C 57 | 3.6.72 |
| 607/71 | 23.2 | Mr. Esteve | The exchange rate used in remunerating European civil servants | C 49 | 18.5.72 |
| 8/72 | 28.3 | Mr. Oele | Abolition of 'Green Card' checks at inter-Community frontiers | C 65 | 19.6.72 |
| 19/72 | 7.4 | Mr. Vredeling | The Council timetable | C 73 | 7.7.72 |
| 31/72 | 14.4 | Mr. Vredeling | Publication of Community decisions | C 84 | 2.8.72 |
| 37/72 | 18.4 | Mr. Seefeld | Actions to be taken concerning transport services not covered by Regulation (EEC) No 1191/69 | C 75 | 12.7.72 |
| 38/72 | 18.4 | Mr. Seefeld | Adaptation to technical progress of regulations on the noise level and on the exhaust system of motor vehicles | C 84 | 2.8.72 |

| QUESTION | | | SUBJECT | REPLY | |
|----------|------|----------------|---|-------|----------|
| No | Date | Put by | | OJ No | Date |
| 70/72 | 26.4 | Mr. Couste | Coordinated statistical surveys on the short term industrial economic situation | C 97 | 23.9.72 |
| 84/71 | 28.4 | Mr. Caillavet | Authorization to dilute wines from Algeria | C 86 | 10.8.72 |
| 86/72 | 28.4 | Mr. Martens | Withdrawal from farm-holding activity | C 68 | 28.6.72 |
| 87/72 | 3.5 | Mr. Werner | The Communities' active contribution to settling the Israel-Arab conflict | C 97 | 23.9.72 |
| 129/72 | 17.5 | Mr. Vredeling | Participation of the Community in the United National Conference on Maritime Law | C 84 | 2.8.72 |
| 133/72 | 19.5 | Mr. Jahn | European Agency of the Rhine Basin | C 86 | 10.8.72 |
| 144/72 | 25.5 | Mr. Vals | Spain as a possible candidate for EEC Membership or Association | C 106 | 11.10.72 |
| 156/72 | 1.6 | Mr. Vredeling | Direct German (FR) investments in France and French investments in Germany (FR) | C 106 | 11.10.72 |
| 159/72 | 5.6 | Mr. Burgbacher | Trade between the EEC Member States and the States and territories with which association agreements or preferential trade agreements have been concluded | C 110 | 18.10.72 |
| 164/72 | 8.6 | Mr. Jahn | Abolition of frontier checks on civil liability insurance for motor traffic | C 97 | 23.9.72 |
| 170/72 | 15.6 | Mr. Richarts | Procedure for fixing agricultural prices | C 122 | 24.11.72 |

| QUESTION | | | SUBJECT | REPLY | |
|----------|------|---------------|---|-------|----------|
| No | Date | Put by | | OJ No | Date |
| 183/72 | 21.6 | Mr. Vredeling | Consultation procedure between the Council and representatives of EEC staff | C 97 | 23.9.72 |
| 194/72 | 26.6 | Mr. Vredeling | Problems in the procedure for consulting Parliament, reviewed by the Council | C 97 | 23.9.72 |
| 208/72 | 6.7 | Mr. Dewulf | Preparations for the third UNCATD Session | C 125 | 1.12.72 |
| 209/72 | 6.7 | Mr. Dewulf | The Council's position towards UNCTAD regarding commodities | C 125 | 1.12.72 |
| 210/72 | 11.7 | Mr. Dewulf | The Community's position towards the third UNCTAD | C 132 | 22.12.72 |
| 215/72 | 12.7 | Mr. Jahn | Correct application in accordance with the specified schedules, of the Second Directive on Turn-over and Excise Taxes for International Passenger Traffic | C 110 | 18.10.72 |
| 217/72 | 12.7 | Mr. Jahn | Withdrawal of Commission proposals on Community Acts | C 132 | 22.12.72 |
| 231/72 | 18.7 | Mr. Vredeling | Community Tariff quotas | C 132 | 22.12.72 |
| 251/72 | 2.8 | Mr. Seefeld | The problem of transport under the Free-Trade Agreement | C 132 | 22.12.72 |
| 260/72 | 23.8 | Mr. Vredeling | The Community's participation in FAO work | C 138 | 31.12.72 |

| QUESTION | | | SUBJECT | REPLY | |
|----------|-------|-----------------------------------|--|-------|----------|
| No | Date | Put by | | OJ No | Date |
| 275/72 | 23.8 | Mr. Vredeling | Publication of Community Decisions | C 132 | 22.12.72 |
| 276/72 | 25.8 | Messrs Broeks, Oele and Vredeling | Criminal Law in the Central African Republic | C 132 | 22.12.72 |
| 287/72 | 30.8 | Mr. Vredeling | Community Tariff quotas | C 132 | 22.12.72 |
| 306/72 | 1.9 | Mr. Glinne | Relations between the European Community and the OAS | C 138 | 31.12.72 |
| 315/72 | 8.9 | Mr. Vredeling | The Luxembourg Agreement and the Accession terms for the new Members of the EEC | C 125 | 1.12.72 |
| 330/72 | 12.9 | Mr. Vredeling | Trade relations with the German Democratic Republic | C 132 | 22.12.72 |
| 353/72 | 22.9 | Mr. Spenale | Publication in the Official Journal of the Overall Community Budget for the financial year 1972 and the Council's Decision to adopt it | C 125 | 1.12.72 |
| 376/72 | 3.10 | Mr. Glinne | Romania's application to join the World Bank and the I.M.F. | C 138 | 31.12.72 |
| 392/72 | 12.10 | Mr. Vredeling | Free movement of pharmaceuticals | C 138 | 31.12.72 |
| 394/72 | 12.10 | Mr. Vredeling | British request asking the EEC Member States to take in Asians deported from Uganda | C 12 | 24.3.72 |
| 402/72 | 18.10 | Mr. Jahn | Abolition of frontier checks on civil liability insurance for motor traffic | C 138 | 31.12.72 |

| QUESTION | | | SUBJECT | REPLY | |
|----------|-------|-------------------------|--|-------|---------|
| No | Date | Put by | | OJ No | Date |
| 418/72 | 20.10 | Mr. Glinne | Joint political position vis-à-vis China | C 15 | 30.3.73 |
| 421/72 | 24.10 | Mr. Dewulf | Community status in connection with United Nations bodies and organizations | C 12 | 24.3.73 |
| 435/72 | 30.10 | Mr. Vredeling | Meeting between the Committee of Permanent Representatives and the Argentinian Minister for Agriculture and Cattle-Raising | C 15 | 30.3.73 |
| 438/72 | 31.10 | Mr. Flämig | Biomedical research at Community level | C 12 | 24.3.73 |
| 454/72 | 9.11 | Mr. Vredeling | German building contract for the Dutch Building firm 'Verenigde Bedrijven Bredero' | C 12 | 24.3.73 |
| 455/72 | 10.11 | Mr. Vredeling | Qualifications required for general competitions | C 15 | 30.3.73 |
| 482/72 | 22.11 | Messrs Giraud and Lange | Environmental policy in the European Community | C 12 | 24.3.73 |
| 485/72 | 22.11 | Mr. Vredeling | Basic Treaty between the Federal Republic of Germany and the German Democratic Republic | C 57 | 17.7.73 |
| 508/72 | 8.12 | Mr. Jahn | Programme of the European Communities for Environmental protection | C 15 | 30.3.73 |
| 512/72 | 20.12 | Mr. Vredeling | Publication of Community debates | C 12 | 24.3.73 |
| 524/72 | 22.12 | Mr. Vredeling | Corrections to Council Regulations in Official Journal | C 74 | 18.9.73 |
| 526/72 | 25.12 | Mr. Vredeling | Modifications to proposals from the Commission to the Council, on which Parliament has delivered an Opinion | C 47 | 26.6.73 |

TABLES

TABLE 1

Evolution of the number of days spent on Council meetings and meetings of preparatory bodies

| Year | Ministers | Ambassadors and Ministerial Delegates | 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 | 730 | 159 | 2 135 |

TABLE 2

Intergovernmental Conferences

| Period | On the subject of 'Patents' | |
|-----------------------|-----------------------------|---------------|
| | Plenary | Working Party |
| 1. 8. 70 - 31. 12. 70 | — | 37 |
| 1971 | 8 | 37½ |
| 1972 | 19 | 61 |

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The arabic numbers refer to paragraphs. Where the subject is dealt with in several successive paragraphs only the first paragraph is given.

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