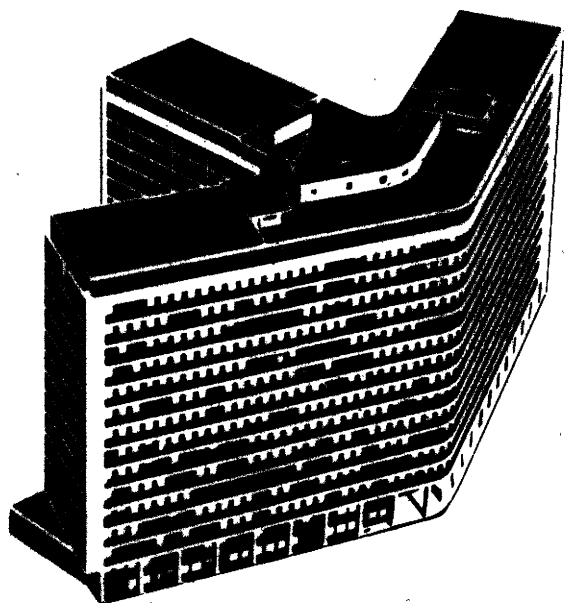


**GENERAL SECRETARIAT OF THE COUNCIL  
OF THE EUROPEAN COMMUNITIES**



**1 January  
31 December 1978**

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



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**of the**  
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## Introduction

*The 20th anniversary of the entry into force of the Treaty of Rome establishing the European Economic Community fell on 1 January 1978, and the year saw a number of Community achievements worthy of this anniversary. Progress was made in the procedure leading to further enlargement of the Communities – this time towards the south, a date was set for the first direct elections to the European Parliament, a new approach was made to economic and financial problems and a large number of decisions were taken which strengthened the unity of the internal market.*

*In accordance with the declared aim of the Greek and Community Delegations, negotiations for Greece's accession to the Community were concluded on all essential points before the end of 1978. The Council gave a favourable reply to Portugal's application for accession in June 1978 and negotiations began officially in October. The Council gave a favourable reply to Spain's application in December 1978.*

*Since the Act of 20 September 1976 on direct election of representatives to the European Parliament entered into force on 1 July 1978, after consulting Parliament the Council decided on the period 7–10 June 1979 for the first elections. This meant that the organization of direct elections had passed through all the required stages as originally laid down in the Treaties establishing the European Communities.*

*In 1978 a new European monetary system was introduced. When taking the decision of principle in December 1978 – the necessary instruments were adopted by the Council during that month and the reservations of one Member State were withdrawn subsequently – the European Council stressed that this system should be seen as the very basis of a broad strategy aimed at sustained*



*growth with stability, a steady return to full employment, harmonization of standards of living and reduction of regional imbalances within the Community. The conviction was expressed that the European Monetary System would have a stabilizing effect on international economic and monetary relations.*

*On a shorter-term basis the Council took a number of new decisions aimed at containing the economic crisis in Europe. These were mainly concerned with the lines of the budgetary policies to be adopted by each Member State in 1978 and 1979 so that each State could make a contribution to a revival of economic activity within its means. In October 1978 the Council adopted a Decision empowering the Commission to contract loans to finance projects in the energy and industry sectors and also projects concerned with the infrastructure. In December 1978 two instruments were adopted regarding increased help from the European Social Fund for young people, who were the hardest hit by the present unemployment in the Member States.*

*In June 1978 the Council signified its agreement in principle on new guidelines for Community regional policy and on the Regulation reorganizing the European Regional Development Fund (ERDF). These texts were adopted by the Council at the beginning of 1979 after a conciliation procedure with Parliament.*

*The Council also made an effort to maintain close contacts with the organizations representing both sides of industry. A tripartite conference, which met on 9 November 1978, discussed the main problems arising from implementation of the policy, recommended by the European Council, aimed at stimulating growth with stability and reducing the persistent unemployment in the Community.*

*In 1978 a large number of measures were adopted to give free movement of goods and services within the European Community. The Council adopted a number of instruments on harmonization of customs laws and also a Decision on the simplification of customs formalities.*

*In the sphere of eliminating technical barriers to trade in industrial products, the hundredth Directive concerning this sector was adopted in June 1978. This concerned pesticides. By the end of*

*the year 108 Directives had been adopted by the Council out of the 150 put forward by the Commission.*

*Regarding the right of establishment and freedom to provide services, the Council adopted two Directives on insurance, and also Directives on exercising the professions of dentist and of veterinary surgeon in another Community country.*

*Much progress was made on company law. A fourth Directive on the harmonization of the annual accounts of companies having a share capital was adopted in June 1978, which will make annual accounts comparable throughout the Community and greatly assist cooperation between firms in different countries. A third Directive was adopted in October 1978 which aims at harmonizing rules on mergers between companies (sociétés anonymes) which come under the law of the same Member State, with the aim of establishing throughout the Community an equivalent degree of protection for shareholders, creditors and employees of firms involved in this kind of operation. Agreement was also reached on a Directive on the admission of transferable securities to official stock exchange quotation.*

*Numerous measures were adopted with a view to improving safety at sea, in particular directives relating to the minimum requirements for certain tankers and to the piloting of vessels by deep-sea pilots operating in the North Sea and the Channel, as well as recommendations on the ratification of a number of international conventions in this sphere.*

*In the field of maritime transport, Decisions were adopted in 1978 to implement systems for compiling information on the activities of fleets which are prejudicial to the maritime interests of Member States. An initial programme of work in the sphere of air transport was adopted.*

*A whole series of measures were adopted with a view to improving the environment in Europe, such as the Directives on wastes from the titanium dioxide industry, toxic and dangerous wastes, lead content of petrol and the quality of fresh water which needed to be protected or improved in order to be able to support fish life.*

*An important Directive in the social sector was adopted in December 1978, relating to the progressive implementation of the principle of equal treatment for men and women as regards social security.*

*In 1978 particularly complex negotiations were conducted on the fixing of prices for agricultural products. The compromise reached in the Council showed the Community's determination to pursue a prudent policy on prices – the average increase in terms of units of account was 2.11%. This policy, while maintaining producers' incomes at a satisfactory level and guaranteeing security of supplies, was to take account of the need to discourage the build-up of surpluses and also of the need to safeguard consumers' interests by guaranteeing reasonable prices. The decisions on prices were accompanied by a number of related measures, several of which, particularly in the milk and milk products sector, were designed to help the Community in its efforts to restrict the build-up of surpluses. The Council also decided to adjust the rates for a number of green currencies, thereby reducing existing monetary compensatory amounts whether in the form of restitution payments or levies.*

*Lastly, the negotiations also covered Mediterranean aspects, which constituted a first step towards an agricultural policy which would be fairer to the southern regions of the Community. In this context some important measures were adopted concerning the structure of agriculture in the Mediterranean areas of France and the Mezzogiorno in Italy. These were concerned mainly with irrigation, afforestation and viticulture.*

*While the Community was very active in internal affairs, it was no less so in relations with the rest of the world. Besides conducting negotiations with the countries already mentioned which had applied for accession, the Council paid attention to the strengthening of its links with the other Mediterranean countries, in particular by implementing the machinery established by the agreements concluded with these countries. It also made an effort to speed the GATT multilateral trade negotiations, known as the Tokyo Round, which were to consolidate and develop free trade on the world market. These negotiations were not concluded by the end of the year, as had been envisaged at the Bonn Western Economic Summit, and in December 1978 the Council expressed the hope that the*

*negotiating parties would quickly achieve balanced results in all sectors.*

*Negotiations with a view to the conclusions of a new Convention with the African, Caribbean and Pacific States, which would replace the Lomé Convention, opened at ministerial level in July 1978. At the end of the year a further ministerial conference reviewed the matters which had already been settled and laid down guidelines for those areas where negotiations were still in progress.*

*The process of strengthening links between the Community and the Association of South-East Asian Nations (ASEAN) reached a further milestone when an important conference was held at ministerial level in Brussels in November 1978.*

*One outcome was the decision to explore the possibility of concluding a cooperation agreement between the Community and the ASEAN States.*

*A trade agreement with China, which was the first of its kind concluded with a State-trading country, entered into force on 1 June 1978.*

*The changes in the Community's character entailed by the developments mentioned at the beginning of this Introduction may well have implications as regards the Community's decision-making procedures and relations between its Institutions. In December 1978 the European Council set up a 'Committee of Wise Men' which will consider what adjustments are necessary on the basis of and in compliance with the Treaties.*

*Lastly, regarding relations between Parliament and the Council, mention should be made of the occasions when the conciliation procedure was first followed in connection with instruments of general application with significant financial implications whose adoption was not a requirement of earlier acts. In 1978 this procedure gave a new dimension to the part played by Parliament in the Community's legislative procedures and contributed to increasingly close cooperation between Parliament and the Council.*

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



## CHAPTER I

### The work of the Institutions

#### A – The Council

1. The Presidency of the Council was held by the Kingdom of Denmark in the first half of 1978, and by the Federal Republic of Germany in the second half.

The meetings in the first half of the year were chaired successively by

Mr K. B. Andersen,	Minister for Foreign Affairs,
Mr K. Heinesen,	Minister for Finance,
Mr P. Hækkerup,	Minister for Economic Affairs,
Mr I. Nørgaard,	Minister for Commerce,
Mr N. Matthiasen,	Minister for the Environment,
Mr S. Auken,	Minister for Labour,
Mr P. Dalsager,	Minister for Agriculture,
Mr K. Olesen,	Minister for Transport,
Mrs L. Østergaard,	Minister without portfolio.

The meetings in the second half of the year were chaired successively by

Mr H.-D. Genscher,	Federal Minister for Foreign Affairs,
Mr H. Matthöfer,	Federal Minister for Finance,
Count Otto von Lambsdorff	Federal Minister for Economic Affairs,
Mr J. Ertl,	Federal Minister for Food, Agriculture and Forestry,

Mr H. Ehrenberg,	Federal Minister for Labour and Social Affairs,
Mr K. Gscheidle,	Federal Minister for Transport and Federal Minister for Posts and Telecommunications,
Mr K. von Dohnanyi,	Minister of State for Foreign Affairs,
Mr H.-J. Vogel,	Federal Minister for Justice,
Mr G. Baum,	Federal Minister for the Interior,
Mrs A. Huber,	Federal Minister for Youth, Family Affairs and Health,
Mr H.-J. Rohr,	State Secretary, Federal Ministry of Food, Agriculture and Forestry,
Mr M. Lahnstein,	State Secretary, Federal Ministry of Finance,
Mr R. Offergeld,	State Secretary, Federal Ministry of Finance.

The 63 meetings held during 1978 were devoted to the following topics:

- 15 External relations
  - 1 External relations and financial problems jointly
- 13 Agriculture
- 10 Economic and financial problems
  - 7 Fisheries
  - 4 Budget
  - 3 Energy
  - 2 Development cooperation
  - 2 Transport
  - 2 Environment
  - 2 Social matters
  - 1 Legal matters
  - 1 Public health.

## **B – Parliamentary affairs**

2. In 1978 the conciliation procedure was applied for the first time to instruments of general application with significant financial implications whose adoption is not a requirement of earlier acts. The application of this procedure brought a new dimension to the role of

Parliament in the Community legislative process, so that this procedure constitutes a new form of contact between Parliament and the Council. This is additional to the contact through the regular attendance of the President-in-Office of the Council at the plenary sittings of Parliament and his frequent attendance at the meetings of the committees and other Parliamentary bodies, and it has contributed to the increasingly close cooperation between Parliament and the Council.

## **1. PARTICIPATION OF THE COUNCIL IN THE PLENARY SITTINGS OF PARLIAMENT**

### *(a) Budgetary procedure*

3. On 3 April 1978 a joint Council of Ministers for Foreign Affairs and Ministers for Finance made an overall assessment of the Community's budgetary problems. On 11 April 1978 Mr Andersen, Danish Minister for Foreign Affairs and President-in-Office of the Council, reported on this meeting of the Council.

On 12 September 1978 Mr. Lahnstein, Federal Secretary of State, Ministry of Finance of the Federal Republic of Germany, and President-in-Office of the Council, presented to Parliament the draft budget of the European Communities for 1979, and explained why the Council had made certain reductions by comparison with the preliminary draft budget.

Mr Lahnstein took part in the general debate held by Parliament during a part-session to examine the draft budget on 23–25 October 1978.

Following the Council's discussions on 12 December Mr Lahnstein made a statement at the Parliament's sitting on 13 December about the remaining problems relating to the 1979 budget.

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

4. On 18 January 1978 Mr Andersen made a statement on the programme of the Danish Presidency for the first half of 1978. He observed that the openness of the Community was shown by its positive response to the three European countries which had applied



for membership of the Community, and by its cooperation with the other countries. Referring to the Community's successful moves, he emphasized that it was only through practical and systematic efforts to solve the real problems of today and tomorrow that real substance could be given to the fundamental Community objectives of ever closer relations between the Member States and their peoples. At the same time it seemed that action along these lines was of far greater importance than considerations of principle about individual institutional developments.

5. At the sitting of 4 July 1978 Mr Genscher, Minister for Foreign Affairs of the Federal Republic of Germany and President-in-Office of the Council, made a statement on the programme of the German Presidency and emphasized enlargement and the external relations of the Community, which, 'together with the United States and the other industrialized democracies' should make its contribution 'in a world characterized by global interdependence', while accepting the structural changes which were the result of more open market conditions. Mr Genscher said that the principle of cooperation without strings applied to the Community's relations with other countries throughout the world. He added that the Community should make full use of the institutional possibilities, such as the majority vote in the Council, which would reinforce and enhance that institution's decision-making ability, and enable it to grasp the great economic and political opportunities afforded by enlargement.

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

6. On 12 April 1978, Mr Andersen made a statement on the conclusions reached by the European Council which met in Copenhagen on 7 and 8 April 1978. In his speech the President of the Council concentrated on the question of fixing a date for the direct elections for Parliament and on current economic and social matters. Mr Andersen also spoke about the discussions on pollution of the seas, and about the situation in the Middle East and in Africa.

7. In his speech to Parliament, on 13 September 1978, Mr Genscher referred to the conclusions reached by the European Council which met in Bremen on 6 and 7 July, and to the Bonn economic summit meeting held on 16 and 17 July 1978, which were mainly concerned with monetary stability and a fresh economic

impetus. Mr Genscher stated that the European Council had 'decided on a common approach to economic policy in order to achieve in Europe a considerably rate of economic growth and thus reduce the level of unemployment by fighting inflation, establishing a greater measure of monetary stability, expanding international trade, achieving progress in the energy sector, reducing regional disparities and stimulating demand'.

8. At the sitting of 13 December 1978, Mr Genscher made a statement on the conclusions reached by the European Council on 4 and 5 December 1978, which he considered was one of the most important sessions held by that Institution since it was set up, because of the introduction of the European Monetary System. While stating that not all the Member States considered that they were in a position to join this system from the outset, he stressed that, even so, it was a Community system and all the Member States had agreed on closer convergence of their economic policies.

(d) *Other debates*

(i) Shipping and shipbuilding

9. On 18 January 1978, Mr Andersen took part in a debate on shipping and shipbuilding.

(ii) Fisheries policy

10. At the sitting of 15 February 1978 Mr Dalsager, Danish Minister of Agriculture and President-in-Office of the Council, made a statement on the difficulties of framing a common fisheries policy.

(iii) Prices for agricultural products for the 1978–79 marketing year

11. On 15 March 1978, Mr Dalsager, speaking in the debate on prices for agricultural products for the 1978–79 marketing year, expressed the view that the Commission's proposals on this matter maintained a fair balance between the interests of the producers and those of the consumers.

(iv) EEC legal policy

12. On 12 April 1978, Mr Andersen took part in a debate on harmonizing legal policy.

(v) Conclusions reached by the Belgrade Conference

13. At the sitting of 10 May 1978, Mr Andersen made a statement on the conclusions reached by the Belgrade Conference, and said the will existed to implement fully the provisions of the Helsinki Final Act and to ensure the continuity of the dialogue so that the Madrid Conference could be as productive as possible.

(vi) Regional Development Fund

14. On 14 June 1978 Mr Andersen took part in a debate on this subject, following a question asked at Question Time.

(vii) Date of direct elections

15. At the sitting of 4 July 1978 Mr Genscher took part in the debate on the date of the direct elections.

(viii) Employment situation

16. On 13 September 1978, in the debate on the employment situation, Mr von Dohnanyi, Minister of State for Foreign Affairs of the Federal Republic of Germany, stated that the Council was in the process of elaborating a global strategy in order to secure for the EEC new conditions of growth, stability and lower unemployment.

(ix) Common energy policy

17. On 11 October 1978 Mr von Dohnanyi took part in a debate on this subject.

(x) Economic and monetary policy

18. On 16 November 1978 Mr Lahnstein, in the debate on economic and monetary policy, pleaded for a European monetary system which, by action at Community level, involving the transfer of resources, would give improved convergence of the economic situations and policies of the Member States.

(xi) Renewal of the Lomé Convention

19. On 13 December 1978 Mr von Dohnanyi, in the debate on the renewal of the Lomé Convention, said that this Convention was a 'pact for common progress'.

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

### *(a) Parliamentary Committees*

#### *(i) Transport*

20. On 31 January 1978 Mr Olesen, Danish Minister for Transport and President-in-Office of the Council, took part in a meeting of the Committee on Regional Policy, Regional Planning and Transport.

On 25 October 1978 Mr Gscheidle, German Minister for Transport and President-in-Office of the Council, also took part in the meeting of this Committee.

#### *(ii) Energy*

21. On 17 April 1978 Mr Nørgaard, Danish Minister of Commerce and President-in-Office of the Council, took part in a meeting of the Committee on Energy and Research. Count von Lambsdorff, German Minister for the Economy and President-in-Office of the Council, also took part in a meeting of this Committee on 24 November 1978.

#### *(iii) Development*

22. Mrs Østergaard, Danish Minister without portfolio and President-in-Office of the Council, took part in a meeting of the Committee on Development and Cooperation on 20 April 1978.

#### *(iv) Agriculture*

23. On 26 October 1978 Mr Ertl, German Minister for Agriculture and President-in-Office of the Council took part in a meeting of the Committee on Agriculture.

#### *(v) Legal Affairs*

24. On 26 October 1978 Mr Vogel, German Minister for Justice and President-in-Office of the Council, took part in a meeting of the Legal Affairs Committee.

(b) *Colloquium organized by Parliament*

Special rights of citizens

25. Mr von Dohnanyi took part in a colloquium organized by Parliament on the special rights of citizens which took place in Florence on 26–28 October 1978.

(c) *Parliamentary association bodies*

(i) ACP-EEC Consultative Assembly

26. Mrs Østergaard represented the Council at the meeting of the Joint Committee of the ACP-EEC Consultative Assembly, which met from 29 May to 3 June 1978 at St George's (Grenada).

Mr von Dohnanyi represented the Council at the meeting of the ACP-EEC Consultative Assembly which met from 25 to 29 September 1978 in Luxembourg.

(ii) Joint EEC-Turkey Parliamentary Committee

27. Mr von Dohnanyi represented the Council at the meeting of this Committee which was held on 26–29 October 1978 in London.

(iii) Joint EEC-Greece Parliamentary Committee

28. Mr von Dohnanyi represented the Council at the meeting of this Committee which was held on 23–26 November 1978 in Paris.

## **C – Institutional affairs**

### **1. ELECTION OF THE MEMBERS OF PARLIAMENT**

29. In this connection 1978 will stand out as the year of entry into force of the Act of 20 September 1976 on the election of representatives to Parliament by direct universal suffrage. This occurred on 1 July, by which date all the Member States had completed the procedures laid down by their respective constitutional regulations.

When this act entered into force the Council consulted Parliament on the date for the first election, and on 25 July 1978 it decided that this first election would take place during the period 7–10 June 1979.

## 2. SPECIAL RIGHTS OF CITIZENS

30. The *ad hoc* Working Party on 'Special Rights of Citizens' continued to examine the points falling within its competence, and in this connection it completed its study of the problems which would be caused by granting general right of abode to nationals of the Member States of the Community.

## 3. THE COUNCIL AND CONFERENCE OF MINISTERS OF JUSTICE

31. The Ministers of Justice of the Member States held a meeting on 9 October 1978. Meeting within the Council, they reviewed a number of matters relating to Community Law.<sup>1</sup>

(a) *Establishment of a tribunal of first instance to deal with litigation between the Institutions and their staff*

32. Referring to its Decision of 26 November 1974, whereby it had agreed to the principle of setting up this kind of tribunal, the Council, having taken note of a Commission proposal on this matter, adopted a resolution in which it requested the Permanent Representatives Committee to initiate discussions on this proposal as soon as the opinions of Parliament and the Court had been received.

(b) *Measures to improve knowledge of Community law and to facilitate access to it*

33. The Council took note of the progress made on automating legal documentation, and also approved the conclusions of a report by the Management Committee of the Office for Official Publications on the compilation of a list of Community legal acts, noting with satisfaction that this would be published in the course of 1979. The Council also took note of the Court's intention to undertake studies on setting up a card index of its own jurisprudence and that of the courts of the Member States regarding Community law.

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<sup>1</sup> See also paragraphs 35 and 218 of this Review.

## **D – Court of Justice**

### **1. COUNCIL – COURT OF JUSTICE**

34. During 1978 the Council appeared before the Court of Justice in 21 cases.

In eleven cases, nine of which were brought against the Council and the Commission, private firms with registered offices in the Member States were claiming damages.

Nine cases concerned proceedings for annulment of regulations. Eight of these were identical cases brought by private firms and one was brought by the government of a Member State. Lastly, one case concerning proceedings for failure to act and an action for damages was brought against the Council and the Commission.

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

### **2. THE OPERATION OF THE COURT OF JUSTICE**

35. On the basis of a memorandum from the Court, relating to the measures which it considered necessary for the purposes of its present and future operation, the Council adopted a resolution requesting the Permanent Representatives Committee to initiate an examination of all the proposals which the Court might present on this subject.

## **E – Economic and Social Committee**

36. At its meeting on 19 September 1978 the Council renewed the Economic and Social Committee for the period 19 September 1978 to 18 September 1982.

At its first meeting on 17 and 18 October 1978 the new Committee elected Mrs Fabrizia Baduel Glorioso as President for two

years. This is the first time that a woman has held the presidency of one of the Community bodies or Institutions. Mr Renaud and Mr Roseingrave were elected Vice-Presidents at this same meeting.

37. During 1978 the Council was twice represented by its President at a meeting of the Committee. On 30 May 1978 Mr Auken, Danish Minister for Labour, made a speech at the academic sitting celebrating the 20th anniversary of the Committee, and on 17 October 1978 Mr Schlecht, Secretary of State, Federal Ministry of Economic Affairs of the Federal Republic of Germany, made a speech to the first meeting of the Committee.

38. On 2 March 1978 the Permanent Representative Committee heard a speech by the President of the ESC, Mr de Ferranti, on the work of his subcommittee which was investigating means of increasing the influence of the Committee. On 19 November 1978 the new President of the ESC, Mrs Baduel Glorioso, paid a visit to the President of the Permanent Representatives Committee.

39. Following the retirement of Mr Delfo Delfini, Secretary-General of the ESC, at its meeting on 21 December 1978 the Council, acting on a proposal from the Bureau of the ESC and by agreement with the Commission, appointed Mr Roger Louet Secretary-General of the Committee with effect from 1 January 1979.





## CHAPTER II

### **Freedom of movement and common rules**

#### **A – Customs union and industrial matters**

40. During 1978 the Council paid particular attention to strengthening the unity of the internal market and the customs union, and to promoting the adaptation of various industrial sectors to the new competition conditions.

##### **1. CUSTOMS UNION**

###### *(a) Common Customs Tariff*

41. On 27 November 1978 the Council adopted two Regulations amending the Common Customs Tariff and its preliminary provisions,<sup>1</sup> with a view to introducing the European unit of account into the customs sphere as from 1 January 1979.

During the year the Council also adopted 11 Regulations temporarily suspending the autonomous duties in the Common Customs Tariff on a large number of products and 21 Regulations on either the opening, allocation and administration of Community tariff quotas for certain products or the increase of quotas previously decided on by the Council.

###### *(b) International customs conventions*

42. On 25 July 1978 the Council adopted a Regulation concerning the conclusion of the Customs Convention on the international

<sup>1</sup> OJ L 335 of 1. 12. 1978 and L 333 of 30. 11. 1978.

transport of goods under cover of TIR carnets (TIR Convention) of 14 November 1975 at Geneva.<sup>1</sup> The Community may now become a contracting party to the revised TIR Convention after all the Member States of the Community have become contracting parties themselves.

On 18 December 1978 the Council also adopted the Decision accepting the Customs Cooperation Council's recommendation of 13 June 1978 concerning the amendment of Articles XIV (a) and XVI (d) of the Convention on nomenclature for the classification of goods in customs tariffs.<sup>2</sup>

(c) *Harmonization of customs laws*

43. The Council continued the work on harmonization in this field on which it has been engaged for a number of years. A tangible result was the adoption on 20 March 1978 of a Regulation<sup>3</sup> on proof of origin for certain textile products falling within Chapter 51 or Chapters 53 to 62 of the Common Customs Tariff and imported into the Community, and on the conditions for the acceptance of such proof. The purpose of this Regulation is to introduce a system of control of origin to prevent any deflection of trade which might hinder the regular application of the textile agreements which have been negotiated and to ensure better surveillance of imports.

44. On 22 May 1978 the Council adopted Directive 78/453/EEC<sup>4</sup> on the harmonization of provisions laid down by law, Regulation or administrative action concerning deferred payment of import duties or export duties. This Directive expands and supersedes Directive 69/76/EEC, which was concerned with only a part of the import charges. The new Directive also applies to the monetary compensatory amounts applicable to imports, and to export charges.

45. On 27 November 1978 the Council adopted the Directive<sup>5</sup> on the harmonization of provisions laid down by law, regulation or administrative action in respect of standard exchange of goods exported for repair.

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<sup>1</sup> OJ L 252 of 14. 9. 1978.

<sup>2</sup> OJ L 6 of 10. 1. 1979.

<sup>3</sup> OJ L 84 of 31. 3. 1978.

<sup>4</sup> OJ L 146 of 2. 6. 1978.

<sup>5</sup> OJ L 349 of 13. 12. 1978.

46. Lastly, the Council adopted two Regulations providing for exemption from import duties for goods contained in travellers' personal luggage and small consignments of goods.<sup>1</sup> The first Regulation was an amendment to the initial Regulation, and the second introduced a new system for goods sent by private persons resident in third countries to private persons resident in the Community. The exemptions laid down by these two Regulations are expressed in European units of account.

(d) *Simplification of customs formalities*

47. On 18 December 1978 the representatives of the Governments of the Member States of the European Economic Community, meeting within the Council, decided to abolish certain postal charges relating to the submission of goods to customs inspection. This decision was made in response to the guidelines laid down by the Ministers for posts and telecommunications at the meeting of the Council on 15 December 1977. It will abolish, by not later than 1 July 1979, the postal charges relating to the submission to customs inspection of small packets and parcels consigned from one Member State to another, when these are exempt from the payment of VAT and other internal taxes because of their low value.

## **2. INDUSTRIAL AFFAIRS**

(a) *Technical barriers*

(i) Elimination of technical barriers to trade.

48. In connection with the implementation of the General programme for the removal of technical barriers to trade in industrial products, 1978 was notable for the adoption by the Council on 27 June of the hundredth Directive concerning this sector. This Directive was concerned with dangerous substances, i.e. pesticides. On this occasion the Council pointed out how much work had thus been accomplished towards the establishment in real terms of a single internal market. The elimination of technical barriers to trade is essential because it allows effective competition between producers in an enlarged market and offers the consumer a wide choice of products, while guaranteeing protection of public health and safety, and of consumers, users and the environment.

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<sup>1</sup> OJ L 366 of 28. 12. 1978.

49. The adoption in 1978 of three new Directives in the motor-vehicle sector, concerning heating systems for the passenger compartment, the wheel guards and the head restraints of seats,<sup>1</sup> means that the Council has adopted 40 of the 43 Directives which the Commission has presented in this sector. The adoption of these latest Directives was necessary for the establishment of a complete EEC type-approval system for motor vehicles. Vehicles which meet the harmonized requirements may now be sold freely throughout the Community.

50. Two other Directives were adopted relating to the agricultural tractor sector, concerning the driver's seat and the installation of lighting and light-signalling devices,<sup>2</sup> and one Directive concerned with construction site machinery relating to the determination of the noise emission from this type of equipment.<sup>3</sup>

51. For 1978 the final total is 108 Directives adopted by the Council out of the 150 submitted by the Commission, not counting all the amendments adopted by the Council or the Commission. Some 30 draft Directives are being studied by various groups within the Council.

(ii) *Pharmaceutical products*

52. On 2 May 1978<sup>4</sup> the Council adopted a Directive amending its Second Directive of 20 May 1975 on the approximation of provisions laid down by law, regulation or administrative action relating to proprietary medicinal products. This amendment applies to the articles relating to the operation of the Committee on Proprietary Medicinal Products, and makes the procedure somewhat easier.

(b) *Sectoral activities*

(i) *Steel industry*

*Restructuring*

53. A series of measures to meet the crisis in the steel industry, most of which came into force as from 1 January 1978, were adopted at the end of December 1977 either by the Council, acting on a

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<sup>1</sup> OJ L 168 of 12. 6. 1978 and L 325 of 20. 11. 1978.

<sup>2</sup> OJ L 255 of 18. 9. 1978 and L 325 of 20. 11. 1978.

<sup>3</sup> OJ L 33 of 8. 2. 1978.

<sup>4</sup> OJ L 123 of 11. 5. 1978.

proposal from the Commission, or by this latter body in the case of matters falling within its competence. The primary aim of these measures was to restore steel price levels on the Community market. With regard to internal aspects, the Council had sanctioned crisis measures involving higher prices and more orderly procedures on the Community market, and also the restructuring of the steel industry.

In the course of 1978 the Council concentrated at first on following developments in the steel market, and, in conjunction with the Commission, on seeing that the crisis plan was put into practice properly. Thus on 17 January 1978 it gave its assent to a Commission Decision prohibiting alignment on offers for iron and steel and pig-iron products from certain third countries with which bilateral arrangements regarding prices and quantities were to be concluded. In addition, to ensure stricter compliance with the minimum prices, on 26 June 1978 the Council gave its assent to a Commission Decision establishing an accelerated system for establishing infringements and providing for sanctions in the form of a system of security in cases of the provisional establishment of an infringement of Decisions relating to minimum prices.<sup>1</sup> This Decision remained in force until 30 September and was then extended to 30 November 1978.

In October and November the Council discussed what direction Community steel policy should take and on 18 and 19 December 1978 it agreed on a series of measures extending the crisis arrangements into 1979, with certain adjustments. Thus, with regard to internal aspects, the Council was consulted or asked for its assent on various Commission decisions on minimum prices, target prices, certificates of conformity and the prohibition of alignment on offers for steel products from certain third countries.<sup>2</sup>

The Council held wide-ranging discussions in June and July on the problems of Community structural policy in the steel sector, and on 18 and 19 December 1978 adopted conclusions laying down the guidelines for the execution of restructuring projects in the steel sector.

#### Rules of competition

54. To prepare the way for a Community policy on aids to the steel sectors also, which would involve a substantial part of the steel market,

<sup>1</sup> OJ C 170 of 15. 7. 1978.

<sup>2</sup> OJ C 11 of 13. 1. 1979.

the Commission requested the Council's assent to a draft Decision on granting aids to the steel industry.

The Council studied this draft on a number of occasions during 1978 and at its meeting on 18 and 19 December it adopted a resolution specifying the content of the rules which were to be adopted by 1 April 1979.

In view of the importance of these regulations the Council agreed that the crisis arrangements for the steel industry to which it had agreed in December 1978 would be re-examined if the provisions on aid for the steel industry were not adopted by the due date.

#### ECSC budget

55. In December 1977, to balance the ECSC budget, and in particular to carry out restructuring and reconversion projects in the steel sector, the Council agreed on the principle that in 1978 the Member States would transfer additional resources to the operating budget of the ECSC.

On 30 October 1978 the representative of the Governments of the ECSC Member States of the ECSC, meeting within the Council, agreed to pay the sum of 28 million EUA to the ECSC budget, the individual payments from the Member States being determined in accordance with an *ad hoc* system.

#### (ii) Shipbuilding

##### Restructuring

56. The Council held detailed discussions on a Commission memorandum concerning the shipbuilding sector, and on 19 September adopted a resolution<sup>1</sup> on the reorganization of this sector. In this Resolution the Council specified its views on the conditions under which structural adjustments should be made in order to maintain a healthy and competitive shipbuilding industry in the Community.

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<sup>1</sup> OJ C 229 of 27. 9. 1978.

## Rules of competition

57. On 4 April 1978 the Council adopted a fourth Directive on aid to shipbuilding.<sup>1</sup> The object of this new Directive is to enable the Member States to restructure this sector in an orderly and efficient way, avoiding harmful overbidding. It lays down that aid must not be supplied for investments which would be likely to increase the Community's building capacity and which would not create stable employment. On the other hand investment aid for modernization, which would increase the productivity of the shipyards, may be granted. The Directive also makes provision for crisis measures to help the shipyards if necessary. This aid would have to be linked to restructuring measures and be paid for a limited period or at a reducing rate.

### (iii) Textiles

58. On the basis of a communication from the Commission on the general lines for a policy on the textiles and clothing sector, the Council bodies held a detailed debate on the objectives of the Member States and the Community and the courses open to them in that sector.

### (iv) Data processing

59. Work on the four-year data processing programme presented by the Commission in 1976 has continued during 1978 in the Council departments.

## **B – Right of establishment and freedom to provide services**

### **1. INSURANCE**

60. At its 519th meeting held on 30 May 1978 the Council adopted the Directive<sup>2</sup> on the coordination of laws, regulations and administrative provisions relating to Community coinsurance.

This is concerned with operations which by their nature or volume require the involvement of a number of insurers to guarantee them, and gives a wider choice of potential partners in a coinsurance operation. It lays down the conditions and procedures under which

<sup>1</sup> OJ L 98 of 11. 4. 1978.

<sup>2</sup> OJ L 151 of 7. 6. 1978.



insurance firms in the Community may carry out such operations, when they are concerned with risks within Community territory.

The Directive lays down certain exceptions, viz. damage arising from nuclear sources or medicinal products, but these will be examined by the Council within five years in the light of the experience gained in implementing this Directive.

61. At its 558th meeting of 18 and 19 December 1978 the Council recorded its agreement on a Directive<sup>1</sup> on the coordination of laws to facilitate the taking up and pursuit of the business of life assurance.

The Directive extends the measures adopted by the Council on 24 July 1973 on non-life insurance to life assurance and coordinates the rules governing the authorization of firms, agencies or branches, as well as the financial guarantees to be provided and the other conditions with which companies must comply in order to pursue the business of life assurance.

A compromise was reached whereby existing firms which practise both non-life insurance and life assurance are allowed to continue their activities provided that separate management is adopted for each activity. However, they must set up subsidiaries to practise life assurance in another Member State.

A harmonized system of financial guarantees was established by the first Directive on non-life insurance of 24 July 1973 and this applies equally to life assurance, with a number of amendments necessitated by the special nature of this type of assurance. This means that firms must have an extra reserve of financial resources (a solvency margin) the components and calculation of which will be determined according to the technical features specific to life assurance, in particular by taking account of factors implicit in the representation of this margin.

In the case of third countries, in agreements with one or more of these, the Community may agree to apply different provisions from those laid down in order to ensure adequate protection for the insured parties in the Member States, provided that the arrangements are reciprocal.

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<sup>1</sup> OJ L 63 of 13. 3. 1979.

## 2. COMPANY LAW

62. At its 525th meeting of 26 and 27 June 1978 the Council approved the fourth Directive<sup>1</sup> on the harmonization of the annual accounts of companies having a share capital. It will have the effect of making the annual accounts (in particular the balance sheet and the profit and loss accounts) comparable throughout the whole Community. In future they must be presented in accordance with prescribed layouts, the valuation of the assets and liabilities must be carried out in accordance with prescribed rules and the annual accounts must be audited and published. This gives an equivalent degree of protection throughout the Community to both shareholders and third parties.

Since the companies involved, of which there are more than one million, will in future publish comparable annual accounts cooperation between companies in different countries will be made much easier. Crossfrontier investment will also be stimulated. At the same time the functioning of the companies and hence that of the economy as a whole will be laid more open to the general public.

The Directive makes a distinction between small, medium-sized and large companies. The provisions of the Directive apply in full only to this last category. A number of exceptions are made in the case of small and medium-sized companies regarding the drawing-up of annual accounts, their publication and their auditing.

63. At its 537th meeting of 9 October 1978 the Council adopted the third Directive<sup>2</sup> concerning the harmonization of rules on mergers of public limited liability companies under the law of a single Member State.

The aim of this Directive is to coordinate the procedures for mergers and similar operations and their effects with a view to establishing an equivalent degree of protection throughout the Community for the shareholders, creditors and paid employees of the companies involved.

The Directive contains various provisions, which must be incorporated into national legislation within three years. These first of

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<sup>1</sup> OJ L 222 of 14. 8. 1978.

<sup>2</sup> OJ L 295 of 20. 10. 1978.

all define a merger and lay down what companies may be associated with one. The companies' administrative or managing bodies must draw up draft terms of merger, and the provisions lay down minimum requirements for the information which these must contain, their publication and their surveillance. The provisions also specify the powers of general meetings and the rights of individual and minority shareholders.

Further articles concern the protection of creditors, with particular reference to debenture holders.

There is a specific Directive, which was adopted in 1977, to protect workers in the event of mergers and similar operations, which concerns the maintenance of the rights of workers when the ownership of companies is transferred, etc. In view of the degree of protection given by this Directive and the fact that it was only recently adopted the present Directive confirms the existing protection by referring to the specific Directive.

The universal transfer of the assets and liabilities is an essential feature of the merger. The shareholders of the company being acquired become shareholders of the acquiring company and the company being acquired ceases to exist. However, in certain circumstances, the company being acquired may complete formalities for the transfer of certain assets.

Lastly, the Directive lays down nullity rules and procedures for mergers, and nullity can be ordered only under specific conditions.

These rules apply by analogy to merger by formation of a new company.

### **3. FINANCIAL INSTITUTIONS**

#### *Admission of securities to stock-exchange listing*

64. At its 558th meeting on 18 and 19 December 1978 the Council reached agreement in principle on the Directive<sup>1</sup> coordinating the conditions for the admission of securities to official stock-exchange listing.

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<sup>1</sup> OJ L 66 of 16. 3. 1979.

This Directive will facilitate the admission to official stock-exchange listing of securities from other Member States and the listing of any given security on a number of stock exchanges in the Community. Accordingly it will improve the interpenetration of national securities markets.

More particularly, its aim is to make the guarantees offered to investors equivalent and to give them added protection. The Directive lays down the conditions governing issuers of securities and the securities themselves, regarding the admission of these to official listing. It also lays down the obligations of issuers of securities throughout the period when these are listed. However, issuers will have the right to apply to the courts against certain decisions by the competent authorities.

All categories of securities are subject to this Directive. Nevertheless, the Member States remain free not to apply the Directive to securities issued by collective investment undertakings of the open-end type or by a Member State or its regional or local authorities.

The Directive prescribes only minimum rules.

#### **4. LIBERAL PROFESSIONS**

##### *(a) Dentists*

65. At its 532nd meeting of 25 July 1978 the Council adopted a number of provisions aimed at providing effective right of establishment and freedom to provide services for dentists throughout the Community.

The Directives<sup>1</sup> adopted concern the mutual recognition of diplomas, certificates and other evidence of the formal qualifications of practitioners of dentistry, and the coordination of provisions laid down by law, regulation or administrative action in respect of the activities of both employed and self-employed dentists.

An attempt is made to coordinate the field of activity of dental practitioners by defining a model field of activity around which all the Member States should orientate themselves.

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<sup>1</sup> OJ L 233 of 24. 8. 1978.

The main provisions concern coordination of training requirements in the Member States, the conditions under which persons whose qualifications are recognized, are accepted, requirements regarding proof of good character and good repute, surveillance and professional conduct, and conditions governing the use of academic title.

Furthermore, it was decided to set up an Advisory Committee on the Training of Dental Practitioners and the Decision setting up a Committee of Senior Officials on Public Health was amended to take account of the Decisions concerning dentists.

The Member States have 18 months' grace to incorporate these provisions into their national laws. However, a maximum period of six years was granted to Italy to enable it to introduce a new professional category authorized to engage in dentistry under a title other than that of doctor.

(b) *Veterinary surgeons*

66. At its 558th meeting of 18 and 19 December 1979 the Council adopted a number of provisions aimed at providing effective right of establishment and freedom to provide services for veterinary surgeons throughout the Community.

These Directives<sup>1</sup> concern the mutual recognition of diplomas, certificates and other evidence of formal qualifications in veterinary medicine and the coordination of provisions laid down by law, regulation or administrative action in respect of the activities of both employed and self-employed veterinary surgeons.

The main provisions concern coordination of training requirements in the Member States, the conditions under which persons whose qualifications are recognized are accepted, requirements regarding proof of good character and good repute, surveillance and professional conduct, and conditions governing the use of academic title.

In addition it was decided to set up an Advisory Committee on veterinary training.

The Member States have two years' grace to incorporate these provisions into their national laws.

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<sup>1</sup> OJ L 362 of 23. 12. 1978.

## 5. PUBLIC WORKS CONTRACTS

67. On 2 August 1978 the Council adopted by written procedure a Directive<sup>1</sup> amending Directive 71/305/EEC, concerning the coordination of procedures for the award of public works contracts, by replacing the reference to the gold parity unit of account by that in the Financial Regulation of 21 December 1977, which defines a new European unit of account.

## 6. WORK IN PROGRESS

### (a) *Liberal professions*

68. At its meeting of 18 and 19 December 1978 the Council examined the remaining questions concerning the Directive aimed at the mutual recognition of diplomas, certificates and other evidence of formal qualifications in the field of architecture, which comprises measures to facilitate the effective exercise of the right of establishment and freedom to provide services.

The Council noted a general consensus on the compromise solutions to these problems proposed by the Commission. However, a number of delegations indicated that their statement was not yet final. If they are in favour the Council will be able to adopt the Directive in the Community languages.

### (b) *Insurance*

69. The provision of services in the field of direct insurance other than life assurance raises a series of problems which differ from those solved by the first Directive of 24 July 1973, since, according to the Commission's draft, the aim is to dispense with the requirement that a company wishing to operate in another Member State must establish itself through agencies or branches. These problems can only be solved by making major changes in the laws of the Member States regarding such matters as contract law, taxation, authorization and surveillance of the provision of services.

The Council's subordinate bodies are working intensively on this Directive.

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<sup>1</sup> OJ L 225 of 16. 8. 1978.

(c) *Company law*

70. Intensive work has also continued on the study of a draft Regulation concerning the Statute of European joint stock companies ('SE'), on the Directive concerning group accounts and on the Directive on the content, surveillance and distribution of the prospectus which must be published when securities issued by companies are admitted to quotation.

## **C – Intellectual property**

### **1. COMMUNITY PATENT**

71. In 1978 five Member States completed the procedures for Parliamentary approval of the Luxembourg Convention on the Community Patent, viz. Belgium, France, Italy, Luxembourg and the United Kingdom. The other four countries are still completing these procedures.

So far no country has deposited instruments of ratification. It was agreed to wait until all the Member States had completed the procedures for Parliamentary approval. Formal consultations will then be held concerning the reserves, and the nine instruments of ratification will subsequently be deposited simultaneously.

72. The Interim Committee on the Community Patent, which comprises representatives of the nine Member States and the Commission, held its fourth meeting in October 1978.

It received reports from its three working parties, approved the initial proposals submitted by these bodies and gave them instructions regarding their work with a view to the entry into force of the Convention in 1982.

In July 1978 the Interim Committee also held an extraordinary meeting in Bordeaux, when the Council of the European Patent Organization held a meeting. This meeting was mainly devoted to an exchange of views on the difficulties which one of the Member States was experiencing in obtaining Parliamentary approval of the Convention.

73. Working Party I (on organization, staff and financial matters) held two meetings in 1978, in April and September.

As regards organization, it amplified the lines adopted by the Interim Committee, i.e. the special departments appear in the organization chart of the European Patent Office as part of the various existing Directorates-General, and do not constitute a new Directorate-General.

On the subject of staff, the Working Party drew up some technical amendments to be made to the Service Regulations of the Office's Staff following the establishment of the special departments.

Concerning finance, the Working Party completed the draft Financial Regulation and the draft Rules relating to fees except for determining the amounts of the fees.

74. Working Party II (on applications to the special departments and general legal matters) held three meetings in 1978, in March, June and October.

This Working Party has concentrated mainly on drafting Directives on limitation and revocation procedures. These texts have been sent to the parties concerned for comment.

The Working Party also solved certain technical problems relating to the list of representatives empowered to appear before the special departments. For this purpose it consulted the international organizations representing the patent agents, in particular the Institute of Professional Representatives before the European Patent Office. In this sphere, the Working Party also started to consider the matter of the possible conclusion of reciprocal agreements with certain third countries which have signed the Munich Convention.

75. Working Party III (on infringements) held three meetings in 1978, in March, June and November.

It produced a solution to the problem of litigation on Community patents, based on the principles set out below. This provides for a protocol to complement and, if necessary, amend the Luxembourg Convention which would set up a legal organization to deal with these cases.



For jurisdiction in the first instance, whereas the revocation action concerning the Community patent would remain the exclusive competence of the Revocation Divisions of the European Patent Office, the national courts which hear infringement proceedings could also, in certain circumstances, deal with exceptions of invalidity raised by the assumed infringer to support his defence. For jurisdiction in the second instance, an Appeal Court common to the Member States would be set up. This would incorporate the Revocation Boards provided for in the Luxembourg Convention. This Court would be competent to give a verdict on all cases concerning validity or infringement, whatever body of the first instance had made the contested decision.

This scheme was widely approved in the Interim Committee. However, Ireland had some important reservations for constitutional reasons.

At present the Working Party is studying the technical difficulties surrounding the implementation of this scheme, and also the advisability of giving the Court of Justice of the European Communities the power to set aside the judgements of the Court of Appeal.

The Working Party also undertook to draw up standard rules concerning a right based on prior use or possession of an invention, to replace the provisions of Article 38 of the Luxembourg Convention.

76. The Interim Committee and its dependent bodies held a total of 10 meetings (18 days of meetings) during 1978.

## **2. CURRENT NEGOTIATIONS WITHIN THE WORLD INTELLECTUAL PROPERTY ORGANIZATION**

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

## CHAPTER III

### **Economic and social policy**

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

##### **1. ECONOMIC AND FINANCIAL QUESTIONS**

78. During 1978 the Council devoted 11 meetings to economic and financial questions.

(a) *A new Community strategy in the economic and monetary spheres*

79. An important event in 1978 was the establishment of a new common strategy in the economic and monetary spheres. This strategy was evolved to eliminate the unsatisfactory trends in the economic and social situation as it was developing in the Community, and in particular to achieve a significant increase in economic growth, a reduction in unemployment and closer monetary cooperation which would ultimately produce a zone of stability in Europe.

This new strategy was decided on by the European Council meeting in Copenhagen on 7 and 8 April 1978. Details of this strategy were specified when the European Council met in Bremen on 6 and 7 July 1978. At this meeting it was recognized that each Member State needed to make its own contribution to a fresh economic impetus within the limits of what was feasible. This joint action was embodied in guidelines on budgetary policy for each Member State when the Council met on 24 July 1978.<sup>1</sup>

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<sup>1</sup> See paragraph 89 of this Review.

In Bremen the European Council also laid down the broad lines of a European Monetary System which culminated in the resolution adopted by the European Council meeting in Brussels on 4 and 5 December 1978.

Community policy, which is directed at joint action on stimulation of economic activity and also on greater monetary stability, was confirmed and supported by the major partners of the Community when the Bonn Economic Summit was held on 16 and 17 July 1978. The Community was represented by the President of the Council and the President of the Commission.

(b) *The European Monetary System (EMS)*

80. Throughout the second half of the year the Council and the Special Committees were occupied with formulating the European Monetary System, which was initiated in Bremen. The Monetary Committee and the Committee of the Governors of the Central Banks were asked to study the technical aspects of the System, in particular the exchange and intervention procedures, and arrangements regarding the provision of credit which are required for the smooth running of the System. The Economic Policy Committee studied the economic aspects of the European Monetary System and the measures which would be needed to strengthen the economies of the less prosperous Member States under this system. The Council conducted these difficult and complex negotiations on the basis of such technical preparation and made such progress that the European Council was able to arrive at the resolution of 5 December on the inauguration of the European Monetary System.

In making this decision the European Council pointed out that the European Monetary System must be regarded as the basis of a move on a broad front aimed at producing sustained growth under stable conditions, a steady return to full employment, harmonization of living standards and the reduction of regional imbalances within the Community. The European Council also expressed its conviction that the European Monetary System would have a stabilizing effect on international economic and monetary relations.

Although all the Member States supported the European Monetary System only eight declared that their intention to operate the

system's exchange and intervention mechanisms at the outset. One Member State reserved the right to join in at a later date.

The System could not enter into force on 1 January 1979, as planned by the European Council, because of the reservations on the part of one Member State regarding the commitments which would have to be made on monetary compensatory amounts.

81. The main points of the European Council's resolution on the inauguration of the European Monetary System are summarized below.

(i) The European currency unit (ECU)

82. The unit at the centre of the European Monetary System will be the ECU. Its value and composition will coincide, initially, with the value of the EUA.<sup>1</sup> The ECU will be used as:

- the denominator in the exchange mechanism;
- the basis for establishing an indicator of divergence;
- a denominator for operations arising from the intervention procedure and the credit procedures;
- a means of settlement among the monetary authorities of the Community.

Any revisions of the composition of the ECU would be made by joint agreement. They would not as such have the effect of altering the external value of the ECU.

(ii) Exchange and intervention procedure

83. Each currency will have a central rate linked to the ECU. A grid of bilateral parities will be established on the basis of these central rates. As in the 'snake' monitoring system the fluctuation margins will be  $\pm 2.25\%$ . When the European Monetary System is launched Member States who are not members of the 'snake' system can opt for

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<sup>1</sup> For the composition of the EUA, see Article 10 of the Financial Regulation of 21 December 1977, OJ L 356 of 31. 12. 1977. The daily value of the ECU in the different currencies is published every day in the 'C' series of the Official Journal of the European Communities.

wider margins up to  $\pm 6\%$ . Adjustment to the central rates will be made by mutual agreement in accordance with a common procedure which will be followed by the Commission and all the countries operating the exchange procedure. As a rule intervention will take place in the currencies of the countries in the system, and will be obligatory when the intervention points as defined by the fluctuation margins are reached.

Within this fluctuation margin a divergence threshold of 75 % of the margin will be laid down for each currency. This threshold indicates the divergence of a currency from its central rate in terms of the ECU.

When a currency crosses its divergence threshold it is presumed that the authorities concerned will correct this situation by taking adequate measures. If these measures are not taken because of special circumstances the reason must be given to the other monetary authorities under a conciliation procedure between central banks.

After a period of six months, following the entry into force of the system, the provisions relating to the exchange and intervention procedures must be re-examined in the light of experience. Matters relating to disparities in the balances accumulated by the creditor or debtor countries in divergent currencies will also be studied.

Very short-term credit facilities for an unlimited amount will be set up. Settlements will be made 45 days after the end of the month of intervention, with the possibility of extending the provision of finance for a further three months, for amounts limited to the size of debtor quotas in the short-term monetary support.

To serve as a means of settlement, an initial allocation of ECU will be provided by the EMCF against a deposit of 20 % of the gold reserves and 20 % of the dollar reserves held by the central banks at the time of the operation.

This operation will take the form of specified, revolving swap arrangements. There will be a periodic review and an appropriate procedure will ensure that each central bank maintains a deposit of at least 20 % of these reserves with the EMCF.

(iii) The credit mechanisms

84. To ensure the credibility of the system in the eyes of external observers, the European Council agreed to strengthen the existing credit mechanisms considerably. Accordingly the amount of credit effectively available will be increased to 25 000 million ECU, split as follows:

- short-term monetary support = 14 000 million ECU;
- medium-term financial assistance = 11 000 million ECU.

To give an idea of the size of this increase, it is sufficient to note that the amount of short-term monetary support potentially available previously was equal to 5 800 million ECU.<sup>1</sup> The effect of this extra support will be to raise the debtor quotas from 3 170 million ECU to 7 900 million ECU, and the creditor quotas from 6 540 million ECU to 15 800 million ECU, and to raise the extension of 3 600 million ECU to 8 800 million ECU. Lastly, the period of support, which was a maximum of six months, will be extended to nine months.

A striking illustration of the size of the increase in medium-term financial assistance is afforded by comparing the figure of 11 000 million ECU given above with the figure of 4 300 million.<sup>2</sup>

The financial assistance will be increased between now and 30 June 1979. Meanwhile, countries which still need legislation on this matter are expected to enter into an interim financing agreement among the central banks concerned to make their increased medium-term quotas available.

The two credit mechanisms will be consolidated in a single fund during the final phase of the European Monetary System, i.e. two years after the system comes into force.

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<sup>1</sup> This amount, and also the 14 000 million ECU, assume an optimum state of equilibrium in which the total credit requested by a given number of countries is equal to the total financial obligations of the other countries (for example, debtor countries: Belgium, Germany, Italy, Luxembourg and the United Kingdom; creditor countries: Denmark, France, the Netherlands and Ireland).

<sup>2</sup> These two amounts constitute the total of the old and new commitment ceilings less the commitment ceiling of a 'major' country.

(iv) Third countries and international organizations

85. Exchange rate policies *vis-à-vis* third countries will be coordinated. European countries with particularly close economic and financial ties with the Community may be included in the exchange and intervention system.

As regards the IMF, the December resolution expressly states that the European Monetary System is and will remain fully compatible with the relevant articles of the IMF agreement.

(v) The impact of the system on the common agricultural policy

86. The European Council considered that the introduction of the European Monetary System should not of itself result in any change in the situation obtaining prior to 1 January 1979 regarding the expression in national currencies of agricultural prices, monetary compensatory amounts or any other amounts fixed for the purposes of the common agricultural policy.

The European Council also stressed the importance which it attached to avoiding the creation of permanent monetary compensatory amounts and to gradually reducing existing monetary compensatory amounts in order to re-establish the unity of the prices relating to the common agricultural policy, while giving due consideration to price policy.<sup>1</sup>

(vi) Implementation of the system

87. In order to implement the decisions taken by the European Council, the central banks of the Member States were invited to amend their agreement of 10 April 1972 on the reduction of margins of fluctuation between the Community currencies, and also that on short-term financial support.

At its meeting on 18 December 1978 the Council adopted the following texts:

— Regulation modifying the unit of account used by the EMCF, introducing the ECU into the operations of the EMCF, and defining its composition;

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<sup>1</sup> See paragraph 360 *et seq.* of this Review.

- Regulation authorizing the EMCF to receive monetary reserves and to issue ECU to monetary authorities in the Member States which can use them as a means of settlement;
  - Decision amending the Council decision of 22 March 1971 setting up machinery for medium-term financial assistance.
- (vii) Measures designed to strengthen the economies of the less prosperous Member States of the European Monetary System

88. To take account of the problems of the less prosperous Member States who are taking part effectively and fully in the exchange and intervention system, the European Council asked the Institutions, which are to use the new financial instrument,<sup>1</sup> and the EIB to make loans of up to 1 000 million EUA per annum available to these countries for a period of five years and on special conditions.

Interest subsidies of three points may be granted for these loans. The total cost of this measure, divided into annual tranches of 200 million EUA, must not exceed 1 000 million EUA over the five-year period.

These funds must be used mainly for financing infrastructure projects and programmes. The Council was asked to make decisions on these proposals in good time so that the measures in question could take effect not later than 1 April 1979.

(c) *Coordination of the economic policies of the Member States*

89. Developments in the economies of the Community Member States were followed by the Council throughout the year. In particular, the three examinations of the economic situation laid down by the Decision of 18 February 1974 on the attainment of a high degree of convergence of the economic policies of the Member States<sup>2</sup> were carried out, and detailed exchanges of views were held on 20 February, 22 May and 19 June 1978.

When the first examination was carried out, on 20 March 1978, under Article 2 of the Decision cited above, the Council was called on to adapt the guidelines on economic policy for the current year in

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<sup>1</sup> See paragraph 90 of this Review.

<sup>2</sup> OJ L 63 of 5. 3. 1974.



accordance with the new requirements of the changed economic situation. However, since this adaptation proved not to be necessary, the Council agreed not to modify the guidelines for 1978, which had been adopted on 21 November 1977.<sup>1</sup>

When it carried out the second examination, on 24 July 1978, the Council put into effect the concerted Community policy decided on by the European Council meeting in Bremen, and adopted a Decision laying down the contributions of individual Member States to this concerted action through the budgetary policies for 1978 and 1979.<sup>2</sup>

Lastly, when it carried out its third examination on 18 December 1978 the Council drew up the annual report on the economic situation in the Community and laid down the guidelines for each Member State to follow in its economic policy for 1979.<sup>3</sup>

(d) *New financial instrument*

90. On 16 October 1978 the Council adopted a Decision empowering the Commission to contract loans for the purpose of promoting investment within the Community.<sup>4</sup>

Under the terms of this Decision the proceeds of these loans, contracted by the Commission on behalf of the Community, may amount to not more than 1 000 million EUA. The object is to finance investment projects which contribute to greater convergence and integration of the economic policies of the Member States, in the energy, industry and infrastructure sectors.

The operation of the new system calls for close cooperation between the Commission and the European Investment Bank. The Commission decides whether or not projects are eligible on the basis of guidelines laid down by the Council; the Bank decides whether and on what terms to grant the loans, and administers them.

The new financial instrument will come into force by successive stages which will be authorized by the Council, acting unanimously on a proposal from the Commission, and after consulting Parliament.

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<sup>1</sup> OJ L 323 of 19. 12. 1977.

<sup>2</sup> OJ L 220 of 11. 8. 1978.

<sup>3</sup> OJ L 8 of 12. 1. 1979.

<sup>4</sup> OJ L 298 of 25. 10. 1978.

Since this is a Community Act of general application with significant financial implications the conciliation procedure with Parliament was followed on this Decision.

(e) *International monetary problems*

91. At its meetings on 17 April and 18 September 1978 the Council made preparations for the meetings of the Interim Committee and the annual Assembly of the International Monetary Fund and the World Bank. The Community's point of view was presented to these meetings by the President of the Council in the form of a statement which had previously been prepared at Community level.

(f) *European unit of account*

92. On 24 July 1978 the Council approved a common approach on the draft Regulation on the procedure for applying the European unit of account (EUA) to legal acts adopted by the Institutions of the European Communities. This draft Regulation lays down rules for using the EUA as an instrument for administering the general budget of the Communities and for expressing the Communities' financial rights and obligations in EUA. It also specifies the particular derogations and provisions to be applied in certain sectors.

The draft Regulation was immediately sent to Parliament under the conciliation procedure laid down for Community acts with significant financial implications.

In view of the urgency, customs matters were separated from the other aspects of the Regulation. In agreement with the Parliament, on 23 November 1978 the Council adopted the Regulation on the procedure for applying the European unit of account (EUA) to legal acts adopted in the customs sphere.<sup>1</sup> The consultation procedure is still being followed as regards the other aspects of the Regulation.

(g) *Various matters of a financial and monetary nature*

93. In implementation of Directive 74/637/EEC granting medium-term financial assistance to the Italian Republic<sup>2</sup> and of Regulation (EEC) No 397/75 concerning Community loans,<sup>3</sup> on

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<sup>1</sup> OJ L 333 of 30. 11. 1978.

<sup>2</sup> OJ L 341 of 20. 12. 1974.

<sup>3</sup> OJ L 46 of 20. 2. 1975.

10 October 1978 the Council adopted a Decision<sup>1</sup> and a Directive<sup>1</sup> adapting the conditions regarding economic policy to be observed by Italy.

94. Following a Council Decision of 30 October 1978,<sup>2</sup> an agreement in the form of an exchange of letters was concluded between the European Economic Community and the Bank for International Settlements.

This Agreement is in accordance with Decision 71/143/EEC setting up machinery for medium-term financial assistance, last amended by Decision 78/49/EEC.<sup>3</sup> This Decision had made it possible for one or more Member States which were creditors under the medium-term financial assistance system, and which were experiencing difficulties in their balance of payments, to mobilize their claims by refinancing from outside the system.

The Agreement concluded between the Community and the BIS lays down specifically that claims may be mobilized in this way through the latter body.

95. On 3 April 1978 the Council held a joint meeting with the Ministers for Finance and Economic Affairs and the Ministers for Foreign Affairs. On the basis of a communication from the Commission an overall assessment of the Community's budgetary problems was made by the Council at that meeting.

96. In accordance with the conclusions of the European Council meeting in Copenhagen on 7–8 April 1978, the Ministers of Finance, meeting within the Board of Governors of the European Investment Bank in June, decided that the capital of the Bank should be doubled.<sup>4</sup>

97. At its meeting on 10 October 1978 the Council agreed on certain additional procedures for implementing Article 131 of the Accession Treaty.

98. The fourth Tripartite Conference met on 9 November 1978 and was attended by representatives of both sides of industry and

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<sup>1</sup> OJ L 291 of 17. 10. 1978.

<sup>2</sup> OJ L 316 of 10. 11. 1978.

<sup>3</sup> OJ L 14 of 18. 1. 1978.

<sup>4</sup> OJ L 199 of 24. 7. 1978.

members of the Council and of the Commission. The preparatory work was done by the Council at its meeting on 16 October 1978.<sup>1</sup>

## **2. TAX HARMONIZATION**

99. On 29 June 1978 the Council adopted a Directive<sup>2</sup> authorizing Denmark, France, Germany, Ireland, Italy, Luxembourg and the Netherlands to defer the entry into force of the sixth Directive on VAT until 1 January 1979 at the latest.

100. On 19 December 1978 the Council adopted four Directives on the tax reliefs to be allowed on goods in the personal luggage of travellers and goods in small consignments.<sup>3</sup>

These Directives lay down, *inter alia*, the procedure for expressing the tax reliefs in European units of account, and make a number of improvements to the existing system of tax reliefs in this sphere, viz:

- the tax relief on goods carried by travellers within the Community is increased to 180 EUA;
- the tax relief on small consignments of a non-commercial nature within the Community is increased to 60 EUA.

101. In addition, Community rules were laid down regarding the tax relief to be allowed on the import of goods in small consignments of a non-commercial nature from third countries.

102. As part of the process of harmonizing the structures of excise duty on manufactured tobaccos, on 18 December 1978 the Council adopted a Directive<sup>4</sup> giving definitions of the various manufactured tobacco products.

## **3. CREDIT INSURANCE, CREDIT GUARANTEES AND FINANCIAL CREDITS**

103. On 1 April 1978 the Council adopted a Decision under which the Community will, as from 1 April 1978, apply the Guidelines laid down in

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<sup>1</sup> See paragraph 217 of this Review.

<sup>2</sup> OJ L 194 of 19. 7. 1978.

<sup>3</sup> OJ L 366 of 28. 12. 1978.

<sup>4</sup> OJ L 10 of 16. 1. 1979.

the Arrangement which was the subject of negotiations between October and December 1977 and in January and February 1978 in Paris between the main export credit suppliers. It will be recalled that at its meeting of 5 December 1977 the Council had adopted a Decision concerning the Community's position in these negotiations, the EEC's position being expressed by the Commission under the rules in Article 113 of the EEC Treaty.

This Arrangement, while remaining in the form of Guidelines, represents a considerable reinforcement of the constraints surrounding export credit (enjoying the support of public funds and for a duration of two years or more) by comparison with the Guidelines previously in force which had given rise to the Council Decisions of 14 March and 20 December 1977.<sup>1</sup>

Without prejudice to the maintenance of grids for the main conditions governing export credit, i.e. interest rates and durations allocated in accordance with the purchasing country's position on a scale covering a number of broad categories, and down-payments, a new section concerning local expenditure was added to the Guidelines.

Another feature of the Arrangement is that it clarifies and reinforces the procedures for notifications – either in advance or subsequently, as the case may be – from participant to participant in the Arrangement<sup>2</sup> for certain categories of operations. Work has been done to clarify a number of technical definitions, the importance of which for the satisfactory implementation of the Guidelines should not be underestimated.

104. Although the Arrangement is to last for an indefinite period, with each party having the right to withdraw, the Council considered it advisable that the Community should be able to review the conditions under which the Arrangement is implemented. This review would take place at six-monthly intervals from the entry into force of the Arrangement.

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<sup>1</sup> See 25th Review, paragraph 68.

<sup>2</sup> Apart from the EEC as such the following countries have agreed to the Guidelines laid down in the Arrangement: Australia, Austria, Canada, Finland, Greece, Japan, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and the United States.

The first of these reviews took place in November 1978, and resulted in the Council's decision of 16 November 1978 extending the implementation of the Guidelines by the EEC to 31 May 1979.

105. In addition, as provided for in the Arrangement, in October 1978 the contracting parties held an initial review of the practical aspects of implementing it.

As to the possibility of improving the content of the Arrangement, exploratory conversations were held between the Community and a number of the contracting parties to the Arrangement who also have substantial interest in these matters. The object of these conversations was to see whether, and under what circumstances, certain sectors, i.e. agriculture, subsonic aircraft and civilian helicopters, methane tankers and nuclear power stations, which at present are not subject to the provisions of the Arrangement, might be included in it.

Some progress has been made in these conversations, they will be continued early in 1979.

## **B – Social policy**

106. During 1978 the problems of employment and unemployment among young people and the improvement of living and working conditions were the main items in the Council's activities. The Council held two meetings on these matters, on 29 June and 27 November 1978. In addition, at the instigation of the German Presidency, the Ministers for labour and social affairs of the Member States and the Commission met informally at Gravenbruch (Frankfurt/Main) to examine a number of current problems regarding employment in the Community.

Lastly, the Standing Committee on Employment held two meetings, on 21 March and 12 May 1978.

### **1. EMPLOYMENT POLICY AND EUROPEAN SOCIAL FUND**

(a) *New forms of aid from the European Social Fund to help young people*

107. Following its discussions on 29 June and 27 November 1978, on 18 December 1978 the Council adopted the two instruments

strengthening the operations of the European Social Fund to assist young people<sup>1</sup> which come into force on 1 January 1979.

Under the new system the European Social Fund may grant assistance for the following types of national aid:

- (i) aid to promote the recruitment of young people under 25 years of age who are unemployed or seeking employment, by means of additional jobs created by employers pursuing an economic activity and designed to give young people experience with a vocational content or make it easier for them to find a stable job;
- (ii) aid to promote the employment of young people under 25 years of age, who are unemployed or seeking employment, by means of projects for the creation of additional jobs
  - which fulfil a public need which would not have been met if additional jobs had not been created; and
  - which are:
    - stable, or
    - likely to give young people experience with a vocational content which will allow them access to the labour market and make it easier for them to find a stable job.

However, assistance may not be granted by the Fund for:

- jobs created by the State;
- jobs provided for by the public authorities in their normal establishment for the current administrative year or jobs resulting from a normal staff increase in public services for subsequent years.

Assistance from the Fund is calculated on the basis of an amount not exceeding 30 EUA per person per week for a maximum period of 12 months.

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<sup>1</sup> Council Regulation (EEC) No 3039/78 of 18 December 1978 on the creation of two new types of aid for young people from the European Social Fund (OJ L 361 of 23. 12. 1978). Council Decision 78/1036/EEC of 18 December 1978 amending Decision 75/459/EEC on action by the European Social Fund for persons affected by employment difficulties, OJ L 374 of 30. 12. 1978.

(b) *Examination of the fifth report on the European Social Fund – financial year 1977*

108. At its meeting on 27 November 1978 the Council took note of the report presented by the Commission and of the comments made by the delegations.

At this meeting the Council expressed particular interest, in view of the new rules which entered into force on 1 January 1978 and also because of the considerable sums allocated to the budget of the Social Fund, in seeing that the operation and management of the Social Fund should be examined in depth by the Court of Auditors of the European Communities.

The Council asked the Commission to take the necessary steps for this examination to be carried out in the most effective way.

## **2. IMPROVEMENT OF LIVING AND WORKING CONDITIONS**

(a) *Safety at the place of work*

109. At its meeting on 29 June 1978 the Council adopted the Resolution on an action programme of the European Community on safety and health at work.<sup>1</sup>

In this Resolution, the Council

- noted the action programme from the Commission annexed to the Resolution and approved its general objective, which was to increase protection of workers against occupational risks of all kinds by improving the means and conditions of work, knowledge and human attitudes;
- expressed the political will to take the steps required to ensure that by the end of 1982 specific actions are undertaken, in particular in the following spheres:
  - occupational accident and disease aetiology – research;
  - protection against dangerous substances;

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<sup>1</sup> OJ C 165 of 11. 7. 1978.



- prevention of the dangers and harmful effects of machines;
- monitoring and inspection – improvement of human attitudes.

110. At its meeting on 29 June 1978 the Council also adopted Directive 78/610/EEC<sup>1</sup> on the approximation of laws, regulations and administrative provisions of the Member States on the protection of the health of workers exposed to vinyl chloride monomer.

The object of this Directive is the protection of workers employed in factories where vinyl chloride monomer is produced, recovered, stored, transferred from one container to another, transported or used in any way whatsoever, and/or where vinyl chloride monomer is converted into vinyl chloride polymers, who are exposed to the effects of vinyl chloride monomer in a working area.

The protection comprises:

- technical preventive measures;
- the establishment of limit values for the atmospheric concentration of vinyl chloride monomer in the working area;
- the definition of measuring methods and the working out of arrangements for monitoring the atmospheric concentration of vinyl chloride monomer in the working areas;
- if necessary, personal protection;
- adequate information for workers on the risks to which they are exposed and the precautions to be taken;
- the keeping of a register of workers with particulars of the type and duration of their work and the exposure to which they have been subjected;
- medical surveillance provisions.

*(b) Equal treatment for men and women*

111. Following its discussions on 27 November 1978, on 19 December 1978 the Council adopted Directive 79/7/EEC<sup>2</sup> on the

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<sup>1</sup> OJ L 197 of 22. 7. 1978.

<sup>2</sup> OJ L 6 of 10. 1. 1979.

progressive implementation of the principle of equal treatment for men and women in matters of social security.

This Directive applies to statutory schemes which provide protection against the risks of sickness, invalidity, old age, industrial accidents and diseases, and to provisions regarding social assistance in so far as it is intended to supplement or replace these schemes.

The principle of equal treatment means that there shall be no discrimination whatsoever on grounds of sex either directly or indirectly regarding in particular marital or family status, with specific reference to:

- the scope of the schemes and the conditions of access thereto;
- the obligation to contribute and the calculation of contributions;
- the calculation of benefits – including increases due in respect of a spouse and for dependants – and the conditions governing the duration and retention of entitlement to benefits.

The Directive obliges the Member States:

- to adopt the measures necessary to ensure that any laws, regulations and administrative provisions contrary to the principle of equal treatment are abolished;
- to introduce into their national legal systems such measures as are necessary to enable all persons who consider themselves wronged by failure to apply the principle of equal treatment to pursue their claim by judicial process, possibly after recourse to other competent authorities.

The Directive is without prejudice to the right of Member States to exclude from its scope a number of points which it lists, e.g. the determination of pensionable age for the purposes of granting old-age and retirement pensions and the possible consequences thereof for other benefits.

With a view to ensuring the progressive implementation of the principle of equal treatment in matters of social security at work, the Council, acting on a proposal from the Commission, will at a later date adopt provisions defining its substance, its scope and the arrangements for its application.

Because of the complexity of this subject the Council allowed a period of six years for bringing into force the national provisions necessary for complying with the Directive.

### 3. MIGRANT WORKERS

#### (a) *Implementation of the provisions concerning the free movement of workers*

112. At the Council's meeting on 29 June 1978 the Danish Delegation raised the matter of the conduct of a firm during an industrial dispute under Danish law. The Council commented that the freedom of movement laid down in Articles 48 *et seq.* of the Treaty constituted a fundamental right for workers and their families, and that for the worker mobility within the Community must be one of the means which guaranteed him the opportunity of improving his living and working conditions and assisting his social advancement, while helping to meet the needs of economies of the Member States. It considered that this positive attitude should always be taken in applying the provisions concerning freedom of movement for workers.

Lastly, the Council made reference to Article 52 of the tripartite declaration of principles concerning multinational firms and social policy which was adopted on 16 November 1977 by the Governing Body of the International Labour Organization, which states *inter alia* that these firms should not transfer workers from their subsidiaries in foreign countries in order to impede *bona fide* negotiations with the workers' representatives, or to prevent the exercise by the workers of their right to form an organized body.

#### (b) *Euro-Arab Dialogue (social sphere)*

113. In April 1978 the Permanent Representatives Committee took note of a draft 'Declaration on the principles governing the living and working conditions of migrant workers from the two regions' which the Dialogue's Working Committee on Cultural, Social and Labour Questions had adopted at its meeting in Cairo on 30 January and 1 February 1978, and which the Council departments had discussed in 1977 and 1978. Meanwhile this Declaration had been adopted by the General Committee of the Dialogue at its fourth meeting, held from 9 to 11 December in Damascus.

The Declaration is based on the principle that the migrant worker and the members of his family should receive equal treatment in the country where they are legally residing and working in respect of living and working conditions, wages, economic rights, trade-union rights and the exercise of basic human rights.

#### 4. INFORMATION INSTRUMENTS

##### (a) *Second European social budget*

114. The Commission presented the second European social budget, which had been drawn up in accordance with the guidelines laid down by the Council at its meeting on 30 April 1976. At its meeting on 27 November 1978 the Council:

- took note of this social budget which was based on a number of hypotheses representing a view of economic trends in the spring of 1977, and thanked the Commission for its work;
- stressed the importance of the information provided by this type of document on medium-term social expenditure and the financing of this expenditure within the Member States;
- invited the Commission, in cooperation with experts from the Governments of the Member States, to evaluate the experience acquired in drawing up the second European social budget and then to lay proposals before the Council for a third European social budget.

##### (b) *Surveys and statistics*

115. At its meeting of 6 March 1978 the Council adopted Regulation (EEC) No 494/78<sup>1</sup> relating to the organization of a survey of labour costs in industry, wholesale and retail distribution, banking and insurance, which will be carried out on the basis of accounting data for the year 1978.

116. At the same meeting the Council also adopted Regulation (EEC) No 495/78<sup>1</sup> relating to the organization of a survey of earnings in industry, wholesale and retail distribution, banking and insurance,

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<sup>1</sup> OJ L 68 of 10. 3. 1978.

which the Commission will undertake on the basis of statistical information relating either to October 1978, to April 1979 or to October 1979, and to the whole of either 1978 or 1979.

## 5. ECSC AIDS

### (a) *Aids for the conversion of industry*

117. Under Article 56 (2a) of the ECSC Treaty the Commission requested the Council to give its assent in several cases to that the Commission could facilitate the productive re-employment of the manpower made redundant where coal and iron and steel undertakings had permanently discontinued, curtailed or changed their activities.

The Council agreed to the Commission's requests at its meetings in February, March, April, November and December 1978, and allowed the Commission to grant conversion loans of between 715 000 EUA and 116 570 000 EUA to several firms, viz. Société Saviem, Peugeot-Citroën, Compagnie électro-mécanique and Société mécanique Lorraine in France, Italsider in Italy and Rockwool Company Ltd, Ford Motor Company Ltd and Midland Ross Air Actuation Ltd in the United Kingdom. Aid was also given, in the form of a global loan, to a number of national or regional bodies, viz. Société Lorraine de Développement et d'Expansion in France, Société Nationale de Crédits et d'Investissements in Luxembourg and Saarländische Investitionskreditbank AG in Germany.

### (b) *Aid for social research work (on safety and hygiene)*

118. Under Article 55 (2c) of the ECSC Treaty the Commission also placed before the Council its memorandum on setting up a research programme on health in mines.

The object of this programme is to continue the research work along the same lines as the third programme on 'Health in mines', launched in 1971, and to undertake new research projects in the spheres of techniques for mastering the environment, monitoring the environment and ambient factors affecting health.

The Commission intends to allocate 7 million EUA to the implementation of this programme, which will cover five years from 1977.

The Council gave its assent to this programme in April 1978.

## **6. RELATIONS WITH MANAGEMENT AND LABOUR ORGANIZATIONS**

### *(a) Standing Committee on Employment*

119. The Standing Committee on Employment held two meetings in Brussels under the chairmanship of Mr Auken, Danish Minister for Labour, as follows:

- the 13th meeting, 21 March 1978, on matters relating to work-sharing;
- the 14th, 12 May 1978, on the role of the tertiary sector (including the public sector) in promoting growth, stability and full employment.

### *(b) European Trade Union Institute*

120. At its meeting on 3 April 1978 the Council took note of a memorandum from the Commission relating to the draft convention between the European Community and the European Trade Union Institute, and stated that there were no objections to the Commission's signing this convention on the Community's behalf.

## **7. TRIPARTITE CONFERENCE (BRUSSELS, 9 NOVEMBER 1978)**

121. Under the chairmanship of Otto Graf Lambsdorff, Federal Minister for Economic Affairs of the Federal Republic of Germany and President-in-Office of the Council, a conference was held in Brussels on 9 November 1978 at which the representatives of the workers' and employers' organizations met, together with Members of the Council – the Ministers for Economic Affairs, Ministers for Finance, Ministers for Labour and Social Affairs – and the Commission, to discuss the main problems regarding growth policy and employment policy in the Community.

While this Tripartite Conference acknowledged the progress which had been made in controlling inflation, it also noted that there had been insufficient growth and that the employment situation gave cause for concern.

It recognized that the concerted large-scale efforts which had been decided at the European Council in Bremen and the Bonn Summit had opened up prospects for increased economic growth in the Community.

Although the Conference agreed that the best way of countering unemployment was to create new jobs under an active growth policy, to increase investment and to improve competitiveness, it did not seem realistic to expect unemployment to disappear in the short term as a result of conventional economy policy measures. Special employment policy measures would therefore also have to be considered.

122. The question of work-sharing was particularly discussed, and differences of opinion became apparent.

The workers' representatives called for a basic Community agreement to reduce working hours by an overall 10% over the next four years by cutting the working week, increasing annual holidays and lowering the retirement age.

The employers' representatives' reactions ranged from the unenthusiastic to the completely hostile. They stressed in particular that no hasty conclusions should be drawn until the impact of the proposed measures on working methods and the costs to firm had been analysed in more detail. They considered that these reductions might impede production, with resulting adverse effects on the labour market situation, because of reduced mobility and additional costs.

123. The Commission was asked to watch closely developments in the economic situation and the employment situation on the basis of the document which it had presented, in the light of the discussions held during the Tripartite Conference and in regular consultation with representatives from both sides of industry. In addition a number of the topics raised at the Conference should be examined in greater detail by the Commission, and discussed by the Standing Committee on

Employment and the Economic Policy Committee. The main topics to be discussed were:

- prospects and opportunities for more part-time work;
- practical possibilities for reducing the working week and their impact on employment and economic growth;
- more job and training opportunities for young people and women;
- possibilities for greater flexibility of the labour market;
- extent and compatibility of employment premiums in the Community;
- effect of external trade, in particular the increasing integration of the developing countries in the world economy, on the employment structure of the Community;
- removal of barriers to job-creating investment;
- importance of public investment in infrastructure to stimulate growth and employment.

## **C – Regional policy**

124. In 1978 the Council continued to work on the projects which it had undertaken in 1977.<sup>1</sup> At its meetings on 6 and 27 June it completed a general compromise scheme concerning the amendment of the Regulation (including the creation of a non-quota section) and also the guidelines for the Community regional policy.

125. On 29 June 1978 the Council forwarded the following documents to Parliament in the form of common guidelines under the conciliation procedure:

- a draft Regulation amending Regulation (EEC) No 724/75 setting up a European Regional Development Fund;
- a draft resolution on the guidelines for Community regional policy;
- a draft Decision amending Decision 75/185/EEC setting up a Regional Policy Committee;

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<sup>1</sup> See 25th Review, paragraphs 91–93.



- a draft Decision amending Decision 74/120/EEC on the attainment of a high degree of convergence of the policies of the Member States of the European Economic Community.

126. The main amendments to Council Regulation (EEC) No 724/75 setting up the European Regional Development Fund are as follows:

The Council approved joint guidelines, to be forwarded to Parliament under the conciliation procedure, for a revision of Council Regulation (EEC) No 724/75 setting up the European Regional Development Fund.

The main features of this revision are:

- An agreement that in future the current amount in the Regional Fund is to be fixed via the budget of the European Communities.
- Each country's quota of the Fund's resources for Community projects to support regional policy measures adopted by the Member States is to be reallocated, with the result that the quota for France is increased by 2 %,
- A non-quota section is to be set up, which will control 5 % of the Fund's total resources, to finance specific Community projects for regional development.

These will be:

- either linked to Community policies and measures which it has adopted to enable better account to be taken of the regional dimension or to mitigate the effect on regions;
- or, exceptionally, designed to tackle the structural effects of particularly serious events in certain regions or areas with a view to replacing lost jobs and to establishing the infrastructure required.

These projects may not take the form of an internal restructuring of declining sectors, but can be used to initiate new economic activities which will give rise to alternative jobs in depressed regions or areas. These projects will be financed jointly by the Community and the Member State(s) concerned;

- The definition of the concept of the infrastructures to be financed by the Fund is to be more flexible. Hitherto the infrastructures have

had to be directly linked to the production sector, whereas the new text concerns projects for infrastructures which contribute to the development of the region or area in which they are carried out. However, the finance from the Fund may not exceed 70 % of the total sums available over a period of three years, unless the Council, acting on a proposal from the Commission, makes an express decision to the contrary.

- There is provision for an exceptional intervention rate of 40 % for investments on infrastructures for projects which are of particular interest for developing the region in which they are carried out.
- A number of administrative improvements, i.e. the procedure for examining projects involving less than 10 million EUA is to be simplified, the regional development programmes of the Member States are to be increased in volume, payments are to be staggered and accelerated, and the use made of the sums received from the Fund will be set out more clearly in the national budget systems.

127. In the resolution concerning the guidelines on Community regional policy presented by the Commission, the Council will first of all accept the idea of establishing a comprehensive system of analysis and conception of the Community's regional policy.

To this end the Council will hold a discussion every two and a half years on the priorities and guidelines proposed. The Commission will work with the Regional Policy Committee to produce regular reports on the situation and the social and economic development of the regions to provide a basis for the discussions.

The resolution will also take account of the Commission's intention regarding a more systematic assessment of the regional impact of Community policies when they are implemented. Lastly, it will stress that coordination of the general systems of aid to the regions is one of the basic requirements of a coherent policy.

128. The Conciliation Committee, which comprises the Council and representatives of Parliament, held two meetings, one in Brussels on 24 July 1978 and one in Luxembourg on 17 October 1978. However, during the year under review the two Institutions did not entirely succeed in reconciling their different points of view.

129. Since the amended Regulation was not adopted the rate of disbursements from the Regional Fund dipped on 1978. Nevertheless, under the budgetary procedure, Parliament made a substantial amendment to the draft budget drawn up by the Council, in accordance with the preliminary draft from the Commission.<sup>1</sup>

## **D – Energy**

### **1. DRAFTING A COMMUNITY ENERGY POLICY**

#### *(a) The energy situation*

130. On 22 September 1978, with a view to enabling the Council to discuss implementation by the Community of the conclusions on energy reached by the European Council at its meeting in Bremen on 6 and 7 July 1978, and in the light of the wider-ranging discussions which were held at the Bonn Western Economic Summit meeting on 16 and 17 July 1978, the Commission addressed to the Council a communication on the energy situation in the Community-prospects and policy.

After holding an exchange of views on this communication on 30 October 1978 the Council adopted the following conclusions drawn by the President:

#### **(i) Energy situation in the European Communities**

131. Compared with the situation in other major consumer countries the energy policy situation of the European Communities, comprising national policies and the Community policy taken together, was not as bad as it was sometimes depicted.

#### **(ii) Long-term basic objectives**

132. It was unanimously agreed that the easing of the situation in the short term might tend to obscure long-term problems, and the basic objectives therefore remained:

- the reduction of the oil share and of dependence on imports;
- optimum exploitation of the Community's own production;
- rational and economic use of energy.

<sup>1</sup> See paragraph 547 of this Review.

(iii) Influencing public opinion

133. The President noted that there was agreement on the need to convince the public of the gravity of these problems and also to persuade them to accept restrictions.

(iv) Oil

134. In spite of the adaptation process, problems remained because capacity is still under-used. The President noted that it was agreed that the initiative in this matter ought to come from the firms themselves, but that it might be accompanied by measures applied in the context of the energy policies of the Member States (opinions differ, however, on the respective weight to be given to national and Community policy in this area).

The Commission was asked to make a report on the situation to serve as a basis for further study.

(v) Coal

135. The President noted that there was agreement that coal should make a significant contribution (worldwide effort).

The competitive position of Community coal had deteriorated.

Lastly, there was agreement to examine the Commission's proposals and discuss them if possible at the next meeting.

(vi) Nuclear energy

136. Emphasis was laid upon the declarations made by the European Council in Bremen and the Economic Summit in Bonn, which referred to the need for a contribution from nuclear energy.

It was particularly vital in the long term that security of fuel supplies should be increased and that the disposal of waste should be ensured.

The public should be better informed.

(vii) New energy sources

137. The Presidency stressed the agreement that this was above all a national task. It was, however, worth while making provision for additional measures at Community level.

There should be a rapid, but thorough examination of the Commission's proposals concerning alternative energy sources and decisions should, if possible, be taken at the Council's next meeting.

(viii) Rational and economic use of energy

138. The President noted agreement that this was above all a national task. Coordination was of particular importance in the matter. It would be worth while to provide for additional measures at Community level.

The Commission's proposals should be examined swiftly but thoroughly (demonstration projects, labelling of domestic appliances, modernization of old buildings) and decisions should, if possible, be taken at the next meeting.

(ix) Objectives

139. The President noted agreement that any quantitative estimate was very unreliable. Objectives must be set for guidance only. To what extent was it necessary and possible to make quantitative or qualitative estimates? The issue would be examined again on the basis of the report to be presented by the Commission on trends up to 1990.

(x) Coordination

140. The President noted agreement that the coordination of national policies was of particular importance and should be strengthened when it was possible to do so in an appropriate way.

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

141. When adopting its resolution of 17 December 1974 on the Community energy policy objectives for 1985 the Council had asked the Commission to make regular progress reports on the attainment of these objectives. On 22 November 1978 the Commission addressed to the Council a communication which constituted a third report to the Council on the attainment of the energy policy objectives for 1985, and it also considered the objectives which should be pursued between now and 1990. At its meeting of 21 December 1978 the Council took note of this communication and asked the Commission to continue its studies of these matters, particularly the world energy markets, in

consultation with the Governments of the Member States and the Energy Committee, so that the Council could resume its examination of this item soon at one of its meetings. On the same occasion the Council also took note of the Commission's intention to put more specific proposals, in the light of these discussions, on the objectives for 1990, in time for the Council to examine them at its meeting in June 1979.

(c) *Energy prices*

142. At its meeting of 30 May 1978 the Council noted that the Commission expected to present very shortly its specific studies on the electricity and gas sectors, so that the results could be discussed at the next Council meeting on energy questions.

(d) *Rational utilization of energy*

143. On 12 June 1978 the Council, acting on a proposal from the Commission, adopted a Regulation on the granting of financial support for demonstration projects in the field of energy-saving.<sup>1</sup>

On 21 December 1978, acting on a proposal from the Commission, the Council approved in principle:<sup>2</sup>

- a Regulation fixing the maximum amount of aid to be granted under the above Regulation at 55 million EUA, for the whole of the four-year programme, which was a necessary condition for its entry into force;
- the aid to be granted, under the Regulation of 12 June 1978, to an initial series of demonstration projects.

144. On 13 February 1978 the Council, acting on a proposal from the Commission, adopted a Directive<sup>3</sup> on the performance of heat generators for space heating and the production of hot water in new or existing non-industrial buildings and on the insulation of heat and domestic hot-water distribution in new non-industrial buildings.

145. On 21 December 1978, acting on a proposal from the Commission, the Council agreed to the substance of a

<sup>1</sup> Regulation (EEC) No 1303/78, OJ L 158 of 16. 6. 1978.

<sup>2</sup> The British Delegation reserved its position on this point and has still not communicated its attitude.

<sup>3</sup> OJ L 52 of 23. 2. 1978.

recommendation on the reduction of energy requirements for buildings in the Community, with a view to its formal adoption after legal and linguistic verification.

146. On 3 August 1978 the Commission addressed to the Council two proposals for Directives, one on the indication by labelling of the energy consumption of domestic appliances and the other applying this first Directive to electric ovens.

At its meeting of 21 December 1978 the Council asked the Permanent Representatives Committee to continue its examination of these proposals, on which it had agreed in principle, so that certain technical and legal points could be clarified ready for formal adoption of the Directives at a succeeding Council meeting.

(e) *Protection and promotion of energy investments*

147. On 12 June 1978, acting on a proposal from the Commission, the Council adopted a Regulation<sup>1</sup> on the granting of financial support for projects to exploit alternative energy sources.

On 21 December 1978, on a proposal from the Commission, the Council approved the substance of the following:<sup>2</sup>

- a Regulation fixing the maximum of aid to be granted under the above Regulation at 95 million EUA for the whole of the four-year programme – a necessary condition for its entry into force – allocated as follows:
  - liquefaction and gasification of solid fuels – 50 million EUA;
  - exploitation of geothermal deposits – 22.5 million EUA;
  - exploitation of solar energy – 22.5 million EUA;
- three Regulations applying the Regulation of 12 June 1978 in each of the above sectors, and the aid to be granted to an initial series of demonstration projects under the Regulation of 12 June 1978.<sup>3</sup>

<sup>1</sup> Regulation (EEC) No 1302/78, OJ L 158 of 16. 6. 1978.

<sup>2</sup> The British Delegation reserved its position on this point, and has not yet communicated its attitude.

<sup>3</sup> With regard to solar energy, pending receipt of Parliament's Opinion on this point, the Council merely noted a convergence of its views on the Regulation in question and on the aid to be granted to the initial series of projects.

(e) *Cooperation with developing countries in the energy sphere*

148. In the light of the results of its examination of this question at its meeting on 30 October 1978 the Council asked the Commission, on the basis of the Communication which it has presented on this point, to forward a number of additional studies. The Council considered that further action, including financial decisions, could be taken only on the basis of these studies which would specify *inter alia* the needs of the developing countries in particular of those with which the Community maintains special relations.

**2. PROBLEMS SPECIFIC TO THE INDIVIDUAL ENERGY SECTORS**

(a) *Coal*

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

149. On 16 October 1978<sup>1</sup> the Council granted the consultation which the Commission had requested on 3 August 1978 on the financial measures introduced by the Member States to assist the coal-mining industry in 1978.

(ii) System for coking coal and coke intended for the iron and steel industry in the Community (Commission Decision 73/287/ECSC of 25 July 1973)

150. On 18 July 1978<sup>2</sup> the Council granted the consultation which the Commission had requested on a draft Commission Decision amending Decision 2216/77/ECSC implementing Decision 73/287/ECSC on coking coal and coke.

On 23 October 1978 the Commission addressed to the Council for its unanimous assent under the first paragraph of Article 95 of the ECSC Treaty a draft Decision on coal and coke for the Community steel industry. The purpose of this draft Decision was to rescind and replace Decision 73/287/ECSC of 25 July 1973, last amended by Decision 1613/77/ECSC of 15 July 1977.

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<sup>1</sup> OJ C 256 of 28. 10. 1978.

<sup>2</sup> OJ C 178 of 27. 7. 1978.



Following the exchange of views on this item at its meeting of 21 December 1978 the Council reaffirmed the importance of the part which coal was required to play in the Community energy policy and agreed to take up the matter again at the President's suggestion.

(iii) Investment aid (Second paragraph of Article 54 of the ECSC Treaty)

151. On 17 April 1978<sup>1</sup> the Council delivered the unanimous assent requested by the Commission to enable it to grant a loan for the partial financing of a project for the construction of a generating unit in Carling by Charbonnages de France (Houillères du Bassin de Lorraine).

(iv) Community financial aid

152. In view of the Opinion delivered by Parliament and in accordance with the second paragraph of Article 149 of the Treaty establishing the EEC, the Commission decided to amend its initial proposal for a Council Regulation on Community financial measures to promote the use of coal in electric power-stations. On 5 July 1977 it addressed the text of this amendment to the Council.

On 20 November 1978, further to the Council's examination of this proposal on 13 December 1977, the Commission departments forwarded a working document on this matter containing a number of proposed amendments to the earlier text of this Regulation.

In addition, on 28 November 1978 the Commission addressed to the Council a proposal for a Council Regulation on Community financial measures for intra-Community trade in power-station coal. This proposal arose out of the communication which the Commission had made to the Council on 23 February 1978 concerning the implementation of a Community aid system for intra-Community trade in power-station coal.

Following the exchange of views held on 21 December 1978 on these two proposals the Council reaffirmed the importance of the part which coal required to play in the Community energy policy and agreed to take up the matter again at the President's suggestion.

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<sup>1</sup> OJ C 102 of 27. 4. 1978.

On 18 March 1977 the Commission addressed to the Council a proposal for a Council Regulation concerning Community aid for financing cyclical stocks of hard coal, coke and patent fuel.

This proposal is being studied by the Council.

(b) *Hydrocarbons*

153. Acting on a proposal from the Commission, on 30 October 1978 the Council decided to grant support over the period 1978–80 to 49 Community projects in the hydrocarbons sector, up to a maximum of 39 687 507 EUA, in the form of subsidies which would be repayable if the results proved commercially viable.

154. On 7 August 1978 the Commission forwarded to the Council a proposal for a Council Regulation on supporting joint projects for hydrocarbon prospecting which amends its previous proposal on this matter dated 27 October 1977.

At its meeting of 21 December 1978 the Council examined an interim report by a group of geological experts from the Member States listing sites for hydrocarbon exploration projects which might receive financial support from the Community. It gave a favourable reception to the 'Greenland' project and asked the Permanent Representatives Committee to:

- (a) continue its work on the texts of the necessary aid framework and on the implementing Regulations with a view to their adoption as soon as possible;
- (b) examine the geological experts' final report on receipt and to comment on it as soon as possible.

155. On 6 May 1977 the Commission addressed to the Council two proposals, for a Directive on joint stocks of crude oil and petroleum products and for one on the establishment and financing of organizations responsible for storage. These proposals are being examined by the Council.

156. On 31 December 1977 the Commission forwarded to the Council a proposal for a Council Directive amending Council Directive 68/414/EEC of 20 December 1968 imposing an obligation on Member States of the European Economic Community to maintain minimum

stocks of crude oil and/or petroleum products. This proposal provided for an increased exemption from the obligation to maintain stocks in the case of indigenous production of petroleum.

This proposal is being studied by the Council.

157. On 13 September 1978 the Commission addressed to the Council a proposal for a Council Decision amending Decision 77/186/EEC on the exporting of crude oil and petroleum products, designed to improve the working of the Community crisis machinery.

This proposal is being studied in the Council's subordinate bodies.

158. At its meeting of 21 December 1978 the Council took note of the Commission's communication on developments in the refining sector of the Community oil industry and asked the Commission to continue its regular monitoring of developments in this sector.

(c) *Siting of power-stations*

159. Acting on a proposal from the Commission, on 20 November 1978<sup>1</sup> the Council adopted a resolution concerning the mutual exchange of information at Community level on the siting of power-stations.

(d) *Nuclear energy*

(i) Community guidelines on reprocessing nuclear fuels, fast-breeder reactors and radioactive waste

160. The Council's examination of the three communications from the Commission on fast-breeder reactors, reprocessing of nuclear fuels and radioactive waste, on 20 July, 2 August, was temporarily suspended to give the delegations time to consider the respective powers of the Member States and the Community in these spheres. This examination had not been resumed by 31 December 1978.

(ii) Euratom-IAEA relations

161. Considerable progress was made in 1978 on the Euratom-IAEA negotiations on the final details of the facility attachments, i.e. the

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<sup>1</sup> OJ C 286 of 30. 11. 1978.

inspection procedures specific to each of the individual facilities sited on the territory of the seven Member States which signed the Verification Agreement, which entered into force on 21 February 1977.<sup>1</sup> Following a number of policy debates on this matter in the Council's subordinate bodies some 150 facility attachments out of a total of 205 facilities had entered into force or been approved by December 1978.

The Commission hopes to complete all the facility attachments in the first half of 1979.

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

162. The text of this Agreement was approved by the Council on 20 February 1978.

(iv) Euratom/United States relations

163. On 29 June 1978 Agreement was reached in the Council's subordinate bodies on the reply which the Commission should give to the Government of the United States on the possible renegotiation of the existing Cooperation Agreement between this country and Euratom because of the new American law of 1978 on non-proliferation.

In addition, on 18 December 1978, the Commission addressed a communication to the Council on the Aide-mémoire on physical protection which the United States Mission had handed to it on 28 July 1978.

Examination of this communication had not begun by 31 December 1978.

(v) Euratom/Canada Agreement

164. The exchange of letters complementing or interpreting the existing provisions of this Agreement, of which the Council had

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<sup>1</sup> OJ L 51 of 22. 2. 1978.

approved the conclusion at its meeting of 19–20 December 1977, was signed, and entered into force on 16 January 1978.<sup>1</sup>

(vi) Euratom/Australia relations

165. On 23 December 1977 the Commission addressed to the Council a draft Decision containing directives for the Commission on the negotiation of an Agreement relating to imports of Australian uranium into the Community. Study of this draft is continuing in the Council's subordinate bodies.

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

166. The Commission forwarded communications to the Council on 21 October 1977 and 7 April 1978 concerning the International Convention on the physical protection of nuclear material, which is being drafted under the aegis of the IAEA.

The work which the Council bodies had begun on these communications was provisionally suspended on 21–22 June 1978, pending a ruling from the Court of Justice on the application lodged on this matter by the Belgian Government on 7 June 1978.

In the light of the ruling handed down on this matter by the Court on 14 November 1978, the Commission forwarded a new communication to the Council on 18 December 1978, accompanied by a draft Council Decision giving the Commission directives for the opening of negotiations to enable the Community to be a contracting party to the International Convention on the physical protection of nuclear material.

The study of this communication had not begun by 31 December 1978.

## **E – Transport**

The Council held two meetings specially devoted to transport matters on 12 June and 23 November 1978.

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<sup>1</sup> OJ L 65 of 8. 3. 1978.

## 1. GOODS TRANSPORT BY NAVIGABLE WATERWAY

### (a) *Navigability licences for inland waterway vessels*

167. The Council adopted in the Community languages the Directive<sup>1</sup> extending until 1 January 1980 Directive 76/135/EEC<sup>2</sup> on reciprocal recognition of navigability licences for inland waterway vessels.

### (b) *Additional Protocol to the Mannheim Convention*

168. The Council adopted a Decision concerning the acceptance by Belgium, France, Germany, the Netherlands and the United Kingdom of an Additional Protocol to the revised Convention for the Navigation of the Rhine of 17 October 1868 as it stood at 20 November 1963. The draft Protocol was drafted by the Central Commission for the Navigation of the Rhine. It specifies more clearly which vessels are allowed access to the Rhine, and lays down the conditions under which goods and passengers may be carried on the waterways of the Rhine catchment area.

The Council bodies will continue their study of other questions raised in the Commission's proposal, in particular the question of accession by the Community to the Mannheim Convention.

## 2. ROAD TRANSPORT

### (a) *Community quota*

169. The Council adopted in the Community languages the Regulation<sup>3</sup> providing for an increase of 10 % from 1 January 1979 in the Community quota laid down in Regulation (EEC) No 3164/76<sup>4</sup> concerning the carriage of goods by road between Member States. This will bring the total number of authorizations to 3 122.

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<sup>1</sup> OJ L 349 of 13. 12. 1978.

<sup>2</sup> OJ L 21 of 29. 1. 1976.

<sup>3</sup> OJ L 366 of 28. 12. 1978.

<sup>4</sup> OJ L 357 of 29. 12. 1976 and L 358 of 31. 11. 1977.

(b) *Bilateral quotas*

170. The Council began its examination of the proposal for a Regulation on the adjustment of capacity for the carriage of goods by road for hire or reward between Member States.

The object of this proposal is to determine the transitional period which may elapse until there are uniform rules governing access to the market and the monitoring of capacity.

(c) *Common rules for the international carriage of passengers by road on coach and bus*

171. The Council adopted in the Community languages the Regulations<sup>1</sup> amending Regulation (EEC) No 516/72<sup>2</sup> and Regulation (EEC) No 517/72.<sup>2</sup>

The object of these amendments is to make certain administrative simplifications.

(d) *Statistics*

172. In order to have a single statistical return at Community level for the national and international carriage of goods by road in the various Member States by vehicles registered in the Community, on 12 June 1978 the Council adopted Directive 78/546/EEC<sup>3</sup> on statistical returns in respect of carriage of goods by road, as part of regional statistics. The effect of adopting this Directive was to revoke Directive 69/467/EEC of 8 December 1969, which applied only to international transport.

(e) *Driving licence*

173. At its meetings of 12 June and 23 November 1978 the Council continued its study of the Commission's proposal on a Community driving licence. It noted that considerable progress had been made towards the adoption of the first Directive on the introduction of this driving licence.

The Council could accordingly expect to complete its discussions on this matter during the first quarter of 1979.

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<sup>1</sup> OJ L 333 of 30. 11. 1978 and L 158 of 16. 6. 1978.

<sup>2</sup> OJ L 67 of 20. 3. 1972.

<sup>3</sup> OJ L 168 of 26. 6. 1978.

(f) *Adjustment of national taxation systems for certain commercial vehicles*

174. At its meeting of 12 June 1978 the Council reached agreement on the wording of the draft Directive on this matter. However, it noted that the final adoption of this Directive would depend on the finding of a solution to other related problems of the common transport policy. The Council held a further discussion on this matter on 23 November 1978, and subsequently instructed its subordinate bodies to define the policy lines along which all the Member States would be able to accept the draft Directive.

(g) *Weights and dimensions*

175. The Council agreed to continue its study of the problem of the weights and dimensions of commercial vehicles on the basis of a new proposal which the Commission would present at an early date.

(h) *Social legislation relating to road transport*

176. The Council bodies began the work recommended by the Council when it adopted a Regulation<sup>1</sup> amending Regulation (EEC) No 543/69 on the harmonization of certain social legislation relating to road transport,<sup>2</sup> regarding a second set of amendments to this legislation.

However, at the request of the United Kingdom Delegation, on 12 June 1978 the Council considered the possibility of making an early decision regarding certain urgent matters. The Council was unable to meet this request, but it instructed its subordinate bodies to continue their work on these new amendments so that it would be able to make a decision in due course.

At the 64th session of the International Labour Conference the Delegations from the Member States in Geneva adopted a common attitude regarding the proposal to draw up a revised Convention on working hours and rest periods for road transport workers. This attitude was agreed on beforehand by the Council bodies and also in conciliation meetings held in the Council's offices in Geneva.

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<sup>1</sup> OJ L 334 of 24. 12. 1977.

<sup>2</sup> OJ L 77 of 29. 3. 1969.



### 3. RAIL TRANSPORT

#### (a) *Uniform costing principles for railway undertakings*

177. The Council adopted in the languages of the Communities the Regulation laying down uniform costing principles for railway undertakings.<sup>1</sup>

These principles apply to the international carriage of goods in full train loads.

#### (b) *Cooperation among railway undertakings*

178. At its meeting of 12 June 1978 the Council took note of the progress report forwarded by the Commission to the Council under Article 11 of the Decision of 20 May 1975<sup>2</sup> on drawing up a programme for cooperation among the railway undertakings.

The Council also asked the Commission to forward proposals relating to additional actions under this programme to be undertaken by the Commission in cooperation with the Member States and the railway undertakings.

#### (c) *Revised Resolution No 212 of the Economic Commission for Europe (ECE)*

179. On 23 November 1978 the Council authorized its President to send a letter to the Executive Secretary of the ECE signifying acceptance by the Community and its Member States of the revised Resolution No 212, relating to the simplification of health and quality control of goods carried by rail between different countries, as applied to consignments between the Community and its Member States and the other countries which have accepted the Resolution.

#### (d) *Common rules for certain types of combined road/rail carriage of goods between Member States*

180. The Council adopted in the Community languages the Directive<sup>3</sup> making permanent Directive 75/130/EEC<sup>4</sup> on the establishment of

<sup>1</sup> OJ L 258 of 21. 9. 1978.

<sup>2</sup> OJ L 152 of 12. 6. 1975.

<sup>3</sup> OJ L 5 of 9. 1. 1979.

<sup>4</sup> OJ L 48 of 22. 2. 1975.

common rules for certain types of combined road/rail carriage of goods between Member States.

The Council also decided to extend the field of application of this Directive to other types of combined road/rail carriage, notably containers, for a trial period until 31 December 1981.

#### **4. MONITORING THE INTERNAL TRANSPORT MARKETS**

181. The Council took note of the Commission's intention to carry out, for a period of three years from 1 January 1979, an experimental monitoring of the markets for the carriage of goods by rail, road and inland waterway between the Member States in order to obtain data and information on the situation and foreseeable trends in these markets.

The Council agreed to await the outcome of this practical experiment to be carried out by the Commission before making a decision on the Commission's proposal on the subject.

#### **5. TRANSPORT INFRASTRUCTURES**

*Support for projects of Community interest regarding transport infrastructure*

182. The Council requested the Commission to report on the bottlenecks in transport infrastructures and on the various intervention procedures which might be considered, and also, in collaboration with the Committee on Transport Infrastructures set up by Decision 78/174/EEC of 20 February 1978,<sup>1</sup> to draw up criteria for evaluating projects of Community interest.

#### **6. MARITIME TRANSPORT**

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

183. The Council studied the Commission's proposal for a Regulation on the signing of the Convention establishing a Code of Conduct for Liner Conferences. At the same time it studied alternative

<sup>1</sup> OJ L 54 of 25. 2. 1978.

proposals by the United Kingdom to the effect that some parts of the Code should not apply to traffic between the Member States of the OECD.

(b) *Safety of maritime transport*<sup>1</sup>

184. The disaster caused by the wreck of the tanker Amoco-Cadiz on the coast of Brittany during the night of 16–17 March 1978<sup>2</sup> was discussed by the European Council at its sessions held in Copenhagen on 7 and 8 April and in Bremen on 6 and 7 July 1978. Following these discussions the European Council declared that it should be a major object of Community action to prevent and combat marine pollution.

The Council then adopted the following measures:

- Firstly, it adopted the Directive concerning minimum requirements for tankers of more than 1 600 gross registered tonnes entering or leaving Community seaports.<sup>3</sup> This Directive requires these tankers to announce their arrival to the competent authorities of the Member State in which the port is situated, complete a tanker checklist, make use of the services provided by radar and radio stations and report any incident which might affect safety at sea. If a Member State learns in this way of the existence of hazards regarding a given maritime zone it must inform the other Member States concerned as soon as possible.
- Secondly, the Council adopted the Directive concerning pilotage of vessels by deep-sea pilots in the North Sea and English Channel.<sup>3</sup> The object of this Directive is to require higher qualifications for deep-sea pilots in the North Sea and the English Channel and to promote the employment of such pilots in vessels flying the flags of Member States of the Community.

These two Directives were based on drafts supplied by a Member State under the second paragraph of Article 84 (2) of the Treaty.

- Thirdly, the Council adopted two recommendations<sup>4</sup> inviting the Member States to ratify or accede to the following conventions by various dates between 1 January 1979 and 31 December 1980:

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<sup>1</sup> See Council recommendation of 26. 6. 1978 on the ratification of Conventions on safety in shipping, OJ L 194 of 19. 7. 1978, p. 17, first paragraph of the recital.

<sup>2</sup> See also paragraph 203 of this Review.

<sup>3</sup> OJ L 33 of 8. 2. 1979.

<sup>4</sup> OJ L 194 of 19. 7. 1978 and L 33 of 8. 2. 1979.

- the 1974 International Convention for the safety of life at sea (SOLAS);
  - the 1978 Protocol relating to this Convention;
  - the 1973 International Convention for the prevention of pollution by ships (MARPOL), as amended by the 1978 Protocol;
  - Convention No 147 concerning minimum standards in merchant ships, adopted by the 1976 International Labour Conference;
  - the 1978 International Convention on Standards of Training, Certification and Watchkeeping for Seafarers.
- Lastly, following steps taken by the Council, Ireland and Italy have expressed the intention of supporting the Memorandum of Understanding of 2 March 1978 between the maritime authorities of Belgium, Denmark, France, the Federal Republic of Germany, the Netherlands, Norway, Sweden and the United Kingdom on the maintenance of standards in merchant ships.

(c) *Actions of certain third countries in the sphere of maritime transport*

185. Following difficulties resulting from the actions of certain third countries in the sphere of maritime transport, on 19 September 1978 the Council adopted an outline Decision under which each Member State must institute a system enabling it to collect information on the activities of the fleets of third countries whose practices are harmful to the shipping interests of the Member States. On the basis of this information the Council, still acting under the outline decision, may decide that Member States shall take counter measures.<sup>1</sup>

In addition the Council adopted a Decision under which, during the period from 1 January 1979 to 31 December 1980, each Member State is to collect information on the type, the tonnage and the freight rates of the liner services operating between the Member States and Eastern Africa and Central America.<sup>2</sup>

<sup>1</sup> OJ L 258 of 21. 9. 1978.

<sup>2</sup> OJ L 5 of 9. 1. 1979.

## **7. AIR TRANSPORT**

186. At its meeting on 12 June 1978 the Council approved a list of subjects regarding air transport to be given priority for study by its subordinate bodies, and instructed the Commission to study the subjects on this list which are connected with implementation of the general provisions of the Treaty.

The priorities are as follows:

- (1) common standards restricting harmful emissions from aircraft;
- (2) simplification of formalities (facilities) particularly for air freight;
- (3) application of technical standards (JAR);
- (4) (a) provisions relating to aids;  
     (b) provisions relating to competition;
- (5) mutual recognition of licences (flight and ground personnel);
- (6) working conditions (flight and ground personnel);
- (7) right of establishment;
- (8) improvements to inter-regional services;
- (9) search, rescue and recovery operations, and inquiries in the event of accidents.

The Council's subordinate bodies applied themselves to this programme by resuming their study of a proposal for a Council Directive relating to the restriction of noise emissions from aircraft received from the Commission on 26 April 1976. At its meeting on 23 November 1978 the Council took note of an interim progress report from the Presidency on this matter, and confirmed the line which its subordinate bodies were taking on this matter.

## **8. SUMMER-TIME**

187. At its meeting on 12 June 1978 the Council noted that there were difficulties of a political nature surrounding the problem of introducing a single summer-time system, particularly in connection

with relations between Member States and certain third countries. Since it was impossible to overcome these difficulties for 1979 the Council instructed its subordinate bodies to try to devise a system which could be introduced at a later date.

## **F – Research**

### **1. SCIENCE AND TECHNOLOGY**

#### *Development of a common policy in the Community*

188. The communication from the Commission proposing guidelines for pursuing the development of a common policy in the sphere of science and technology<sup>1</sup> is at present being studied within the Council.<sup>2</sup>

189. In the course of 1978 the Scientific and Technical Research Committee (CREST) made preparations for the first meeting – planned for 1979 – which will be devoted to a comparison of national and Community policies on research and development. It studied questions of general interest such as the financing of research and development from public funds and the framing of a policy in the sphere of science for the benefit of the developing countries. The Committee also delivered its opinion on the programme proposed by the Commission to the Council in the spheres of data-processing, reference materials and methods and applied metrology, medical research, environment research, analysis of organic micropollutants in water, and the physical and chemical behaviour of atmospheric pollutants.

### **2. RESEARCH PROGRAMMES**

#### *(a) Nuclear research*

190. On 30 May 1978<sup>3</sup> the Council extended the multiannual research programme on thermonuclear fusion (1976–1980) to include the JET project, the cost of which was fixed at 102.4 million EUA. A maximum of 150 temporary staff was allocated to this project. At the

<sup>1</sup> See 25th Review, paragraph 155.

<sup>2</sup> See paragraph 193 of this Review.

<sup>3</sup> OJ L 151 of 7. 6. 1978.

same time the Council established a Joint Undertaking to manage the project, adopted its statutes and decided on the advantages to be conferred on this Undertaking under Annex III to the EAEC Treaty.

191. On 10 October 1978<sup>1</sup> the Council extended for an additional year the Community's research programme on plutonium recycling in light-water reactors and allocated an additional grant of 250 000 EUA to this programme, which will be concluded on 31 December 1979.

192. On 6 March 1978<sup>2</sup> the Council adopted a three-year-programme of indirect action concerning uranium exploration and extraction. This programme began on 1 January 1978 and was given a total budget of 3 million EUA. A maximum of three additional staff will be allocated to it.

(b) *Non-nuclear research*

193. During 1978 the Council adopted 11 non-nuclear research programmes, to which a total budget of 37.32 million EUA was allocated in commitment appropriations (see table below). These programmes included seven additional concerted action projects which arise out of the adoption of the first project of this kind in 1977.<sup>3</sup>

**Non-nuclear research programmes adopted by the Council in 1978**

Field of activity	Date of Decision	Grant (million EUA)	Staff	Duration (years)	OJ reference
1. <i>Common policy on research and development</i> Forecasting and assessment in the field of science and technology (indirect action)	25. 7. 1978	4.4	10	5	L 225 of 16. 8. 1978

<sup>1</sup> OJ L 291 of 17. 10. 1978.

<sup>2</sup> OJ L 72 of 14. 3. 1978.

<sup>3</sup> See 25th Review, paragraph 161.

Field of activity	Date of Decision	Grant (million EUA)	Staff	Duration (years)	OJ reference
<b>2. Raw materials</b>					
(a) Primary raw materials (indirect action)	6. 3. 1978	18	8	4	L 72 of 14. 3. 1978
(b) Paper and board recycling (secondary raw materials) (indirect action)	17. 4. 1978	2.9	2	3	L 107 of 21. 4. 1978
<b>3. Environment</b>					
(a) Analysis of organic micropollutants in water (concerted action)	9. 10. 1978	0.48	1	4	L 311 of 4. 11. 1978
(b) Physico-chemical behaviour of atmospheric pollutants (concerted action)	9. 10. 1978	0.5	2	4	L 311 of 4. 11. 1978
<b>4. Food technology</b>					
Effect of processing on the physical properties of foodstuffs (concerted action)	20. 2. 1978	0.25	—	3	L 54 of 25. 2. 1978
<b>5. Research in the social and medical sphere</b>					
(a) Growth of large urban concentrations (concerted actions)	7. 2. 1978	0.2	—	2	L 45 of 16. 2. 1978
(b) Initial research programme in the medical sphere	13. 2. 1978				L 52 of 23. 2. 1978
(i) Registration of congenital abnormalities (concerted action)		0.33	—	3	
(ii) Cellular ageing and decreased functional capacity of organs (concerted action)		0.4	—	4	
(iii) Extracorporeal oxygenation		0.36	—	4	
<b>6. Information/documentation</b>					
Second three-year plan of action in the field of scientific and technical information and documentation	9. 10. 1978	9.5	—	3	L 311 of 4. 11. 1978



(c) *ECSC*

194. With a view to encouraging technical and economic research aimed at improving methods of production, beneficiation and utilization of coal in the Community,<sup>1</sup> on 17 April 1978 the Council gave its assent, as requested by the Commission under Article 55 (2c) of the ECSC Treaty, to the allocation of financial aid out of funds raised from the levies amounting to 15.73 million EUA for two research projects in the sphere of mining techniques and beneficiation of products. This aid also covers the expenses of disseminating the results of this research work. The overall cost of the two projects is 26.05 million EUA.<sup>2</sup>

(d) *Research budget*

195. When the Community budget for 1979 was drawn up it was agreed to allocate to research a total of 142 million EUA in commitment appropriations and 196 million EUA in payment appropriations (Chapter 33), to which should be added research funds under Chapter 100, i.e. 39 million EUA in commitment appropriations and 20 million EUA in payment appropriations.

(e) *External relations*

(i) *Cooperation Agreement with Switzerland*

196. On 11 August 1978 the Council approved the conclusion of a Cooperation Agreement between the EAEC and Switzerland in the sphere of thermonuclear fusion. The object of this agreement is to allow Switzerland to take part in the Community's research programme in this field, including the JET project.

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

197. On 21 December 1978 the Council agreed that the EEC should sign an IEA Agreement on implementing a research and development programme in the sphere of energy conservation through energy storage.

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<sup>1</sup> Regarding aid in the field of industrial hygiene in mines, see paragraph 115 of this Review.

<sup>2</sup> OJ C 102 of 27. 4. 1978.

(iii) European Cooperation in the field of Scientific and Technical Research (COST)

198. On 18 July 1978 the Council adopted a number of conclusions regarding European Cooperation in the field of Scientific and Technical Research (COST). These conclusions highlight the practical and institutional procedures for establishing a link between the Community's programmes and the projects implemented in the wider context of this cooperation scheme.

(iv) United Nations Conference on the application of science and technology to development

199. Two concertation meetings were held in 1978 to harmonize the attitudes of the Member States and to continue to work out a common European attitude in preparation for the United Nations Conference on the application of science and technology to development.

## **G – Environment**

### **1. TEXTS ADOPTED BY THE COUNCIL IN THE COMMUNITY LANGUAGES**

200. On 20 February 1978 the Council adopted a Directive on waste from the titanium dioxide industry.<sup>1</sup> This Directive provides as follows:

- Prior authorization must be obtained for the main operations of waste disposal from the titanium dioxide industry, viz. discharge and dumping into water, storage and tipping on land, and injection into the earth.
- The waste and the environment into which it is discharged must be monitored, and this requirement includes operations other than disposal into water, as well as the waste itself.
- A system is set up for the gradual reduction and elimination of pollution caused by waste from the industry in question. This will place an obligation on the Member States to draw up national programmes by 1 July 1980 to reduce pollution from existing industrial establishments. These programmes are to be harmonized at Community level on a proposal from the Commission.

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<sup>1</sup> OJ L 54 of 25. 2. 1978. See 25th Review, paragraph 170.

Prior authorization must be obtained from the Member States for new establishments. This will not be granted unless the firm undertakes to use materials, processes and techniques that cause minimum damage to the environment.

In addition, the Directive requires the Member States to supply the Commission with information on these three aspects, and to prepare regular situation reports on the prevention and reduction of pollution caused by this waste.

201. On 20 March 1979 the Council adopted a Directive on toxic and dangerous waste.<sup>1</sup>

This Directive arises out of the Communities' first action programme on the environment (1973). It provides for the application by the Member States of a number of monitoring and safeguarding measures to ensure that the disposal of toxic and dangerous waste does not jeopardize public health or the environment.

To this end the Directive contains provisions regulating prevention, recycling and processing of toxic and dangerous waste and the extraction therefrom of raw materials and energy. It prohibits the abandonment and uncontrolled discharge, tipping or carriage of toxic and dangerous waste, and lays down a system of permits for establishments responsible for storage, treatment and tipping of such waste.

In accordance with the 'polluter pays' principle, the cost of disposing of toxic and dangerous waste, less any proceeds from treating the waste, must be borne by the holder who has waste handled by a waste collector or authorized establishment.

The competent authorities in the Member States must draw up programmes for the disposal of toxic and dangerous waste. The plans must cover in particular the type and quantity of waste to be disposed of, the methods of disposal and suitable disposal sites.

Every three years Member States must draw up a situation report on the disposal of toxic and dangerous waste in their respective countries and forward it to the Commission.

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<sup>1</sup> OJ L 84 of 31. 3. 1978. See 25th Review, paragraph 170.

202. On 30 May 1978 the Council passed a Resolution relating to fluorocarbon in the environment.<sup>1</sup>

The object of this Resolution is to reduce the discharge of fluorocarbons by aerosol and plastic foam industries. This waste causes serious problems because of the effects of fluorocarbons on the ozone layer and the relationship between ultraviolet radiation and health.

203. On 26 June 1978 the Council passed a resolution setting up an action programme of the European Communities on the control and reduction of pollution caused by hydrocarbons discharged at sea.<sup>2</sup> This resolution was framed following the accident involving the tanker Amoco-Cadiz, on the coast of Brittany in March 1978,<sup>3</sup> and provides for the following action:

- computer processing of the existing data, or data still to be collected, on ways of dealing with marine pollution by hydrocarbons with a view to the immediate use of such data in the event of accidental pollution;
- study of the availability to the Member States of relevant data on tankers which might pollute the waters around the Community and the coasts of the Member States and on off-shore structures under the jurisdiction of the Member States;
- study of the need for measures to enhance the cooperation and effectiveness of the emergency teams which have been or which are to be set up in the Member States;
- study of a possible Community contribution to the design and development of clean-up vessels to which may be fitted the equipment needed for the effective treatment of discharged hydrocarbons;
- study of the amendments and improvements which may have to be made to the legal rules on insurance against the risks of accidental pollution from hydrocarbons;
- establishment of a proposal for a research programme on chemical and mechanical means of combating pollution due to hydrocarbons

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<sup>1</sup> OJ C 133 of 7. 6. 1978.

<sup>2</sup> OJ C 162 of 8. 7. 1978.

<sup>3</sup> See also paragraph 183 of this Review.

discharged at sea, on the subsequent history of such hydrocarbons and on their effect on marine flora and fauna.

204. On 28 June 1978 the Council adopted a Directive on the approximation of the laws of the Member States concerning the lead content of petrol.<sup>1</sup>

This Directive lays down that as from 1 January 1981 the maximum permitted lead compound content of petrol on the market shall be 0.40 g/l. Nevertheless a Member State may establish a limit lower than 0.40 g/l, which must not, however, be lower than 0.15 g/l.

The Directive also lays down that Member States must supply the Commission with information on, in particular:

- developments in systems to reduce the emission of lead and of any polluting substitutes in exhaust gases;
- changes in the concentrations of lead and/any polluting substitutes in the urban atmosphere and their effect on public health;
- the effects on energy policy of the various possible ways and means of reducing pollution caused by lead emission in exhaust gases.

205. On 18 July 1978 the Council adopted a Directive on the quality of fresh waters needing protection or improvement in order to support fish life.<sup>2</sup>

The aim of this Directive is to protect or improve the quality of fresh waters which under certain circumstances would support fish of the salmonid and cyprinid species.

To this end Member States are to designate the waters to which the Directive is to apply and, for these waters, to set limit values for certain parameters, e.g. temperature, dissolved oxygen, ammonium, phosphorus, nitrites, chlorine, zinc and copper. When laying down these values nationally Member States must adhere to the mandatory values, and must try to adhere to the guide values in the Directive.

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<sup>1</sup> OJ L 197 of 22. 7. 1978.

<sup>2</sup> OJ L 222 of 14. 8. 1978.

On the basis of these values Member States will establish programmes in order to reduce pollution of the designated waters within five years. Subsequently samples will be taken according to procedures which the Directive lays down in detail, which will show whether the national values are in fact being complied with. If necessary Member States must take appropriate steps to ensure that they are observed.

206. On 19 December 1978 the Council adopted a Recommendation to the Member States regarding methods of evaluating the cost of pollution control to industry.<sup>1</sup> This Recommendation enables all Member States to have comparable data by the use of similar methods of evaluation of the costs of pollution control measures in industry.

## **2. IMPLEMENTATION OF THE 1973 AND 1977 ACTION PROGRAMMES**

During 1978 the Council continued to implement the Communities' 1973<sup>2</sup> and 1977<sup>3</sup> action programmes on the environment.

207. At its meeting of 30 May 1978 the Council took note of a progress report regarding work on the proposal for a Directive concerning atmospheric pollution by sulphur dioxide and suspended particles, and held a general discussion on this important proposal. At this meeting the Council also heard a statement from the French Minister for the Environment and the Quality of Life, Mr d'Ornano, on the intensification of the Community environment policy. Because of the growing importance of environmental protection Mr d'Ornano suggested that the Council's meetings should be more frequent, more informal and more geared to policy, in order to intensify Community policy on the environment, in particular through greater cooperation on pollution prevention and on the management of natural resources.

208. At its meeting on 18–19 December 1978 the Council gave its agreement in principle, subject to legal and linguistic adjustments, to two important proposals for Directives which had been discussed many times over the past few years within the Council, viz. the

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<sup>1</sup> OJ L 5 of 9. 1. 1979.

<sup>2</sup> OJ C 112 of 20. 12. 1973.

<sup>3</sup> OJ C 139 of 13. 6. 1977.

Directive on the quality of water for human consumption and the Directive on bird conservation. The Directive on the quality of water for human consumption lays down a number of requirements and quality standards which the water must meet for health reasons. To this end the Directive sets out more than sixty parameters, separated into guide parameters and binding parameters, which the Member States must observe. The Directive applies to water supplied directly for consumption and to water used in the food industry. The Directive on bird conservation is concerned with protecting the habitats of certain species. It also lists the circumstances under which Member States may make exceptions to the general prohibition on the hunting, capture and marketing of certain species. In addition, during this meeting the Council held a wide-ranging exchange of policy views on the intensification of the Community environment policy. This discussion was in response to the statements made to the Council by Mr d'Ornano on 12 December 1977 and 30 May 1978. The Council's discussion covered two subjects, viz.:

- the place and role of a preventive policy for the environment in a balanced development of economic activities throughout the Community;
- waste management, including the development of clean technologies and recycling matters.

Lastly, at this meeting the Council continued its study of a proposal for a Directive on the reduction of water pollution caused by wood-pulp mills, and it held an initial exchange of views on a proposal for a Directive on the protection of ground water against pollution caused by certain dangerous substances.

### **3. INTERNATIONAL MATTERS**

209. In accordance with the 1973 and 1977 action programmes the Member States conferred with each other on the activities of the international bodies concerned with the environment. During 1978 these consultations have mainly concerned the work done in the United Nations Economic Commission for Europe. This consisted largely of preparatory work for a possible high-level meeting on the environment.

210. There was also much consultation in 1978 on questions regarding the monitoring of chemical products. The Council authorized the Commission to begin negotiations with the United States on implementation of the American law known as 'TOSCA' on the monitoring of chemical products. In addition, prior consultations between the Member States took place under the aegis of the OECD on the monitoring of chemical products, in connection with the International Meeting on the Control of Toxic Substances, which was held in Stockholm in April 1978, and with the International Meeting on Fluorocarbons, which was held in Munich in December 1978.

## **H – Other matters**

### **1. EDUCATION**

211. During 1978 the Education Committee met 12 times to continue its work on the action programme instituted by the resolution adopted on 9 February 1976 by the Council and the Ministers of Education meeting within the Council.<sup>1</sup>

The Committee examined five communications which the Commission had addressed to the Council on steps to put into effect the following items:

- teaching activities on a European scale: the study of the European Community in schools;
- foreign language teaching in the Community;
- admission of students from other Member States to higher educational establishments;
- system of European Community scholarships for students;
- equal opportunities for girls in education and training.

The Committee made substantial progress on these matters for a meeting of the Council and the Ministers of Education which was to have been held on 27 November 1978. However, since views differed on the form and the legal basis of the measures to be adopted this meeting had to be cancelled.

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<sup>1</sup> OJ C 38 of 19. 2. 1976.



## 2. CONSUMER PROTECTION AND INFORMATION

212. During 1978 the Council adopted or continued its examination of a number of proposals to protect the consumer's interests. In this connection it began its study of a number of measures to implement the European Economic Community's preliminary programme for a consumer protection and information policy, which had been adopted by the Council on 14 April 1975.<sup>1</sup> Thus, on 19 December 1978, the Council adopted a Directive on the labelling and packaging of foodstuffs for the end consumer and on their advertising.<sup>2</sup>

213. Still in the foodstuffs sector, as well as adopting this important Directive, the Council began to scrutinize the proposal for a Directive on consumer protection in the marking and display of the prices of foodstuffs.<sup>3</sup> This proposal seeks to make it mandatory to mark and display the price per unit of measurement (per kilogram or per litre) for certain foodstuffs, and in respect of prices complements the general Directive on the labelling of foodstuffs adopted by the Council on 19 December 1978.

214. The Council also actively continued its examination of the proposal for a Directive to protect the consumer in respect of contracts which have been negotiated away from business premises.<sup>4</sup> It began its study of a proposal for a Council Directive on the protection of participants in home-study courses.<sup>5</sup> During the year the Council received from the Commission a proposal for a Directive relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading and unfair advertising,<sup>6</sup> and also a proposal for a Decision introducing a Community system of information on accidents in which products are involved, outside the spheres of occupational activities and road traffic.<sup>7</sup>

215. In addition the Council continued its work in other specific sectors which are also of interest to consumers. In this connection

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<sup>1</sup> OJ C 92 of 25. 4. 1975.

<sup>2</sup> See paragraphs 510 *et seq.* of this Review.

<sup>3</sup> OJ C 167 of 14. 7. 1977.

<sup>4</sup> OJ C 22 of 29. 1. 1977.

<sup>5</sup> OJ C 208 of 31. 8. 1977.

<sup>6</sup> OJ C 70 of 21. 3. 1978.

<sup>7</sup> OJ C 252 of 24. 1. 1978.

mention may be made of the proposals concerning health regulations for foodstuffs, particularly with regard to regulations on additives (purity criteria for emulsifying, stabilizing and thickening agents), and with regard to packaging (e.g. the adoption of a Directive relating to materials and articles containing vinyl chloride monomer which will be in contact with foodstuffs. Mention may also be made of the proposals relating to the harmonization of product standards (e.g. the proposal for a Directive on the approximation of the laws of the Member States relating to the ranges of nominal quantities permitted for certain prepackaged products,<sup>1</sup> and also, in the energy sector, proposals concerning information by labelling on the energy consumption of domestic appliances.

216. Lastly, on 19 December 1978 the Council adopted a series of Directives and Regulations<sup>2</sup> on the tax and tariff exemptions which will produce a number of substantial improvements as from 1 January 1979, in particular with regard to the increases in the amounts involved. These improvements will benefit first and foremost consumers in all the Member States of the Community.

### 3. PUBLIC HEALTH

217. On 16 November 1978 the Council and the Representatives of the Governments of the Member States meeting within the Council held their second meeting on public health – the first meeting having been held on 13 December 1977 – to reach conclusions designed to guide and give more substance to Community activities in the field of public health.

The main items on the agenda for this meeting concerned financial aspects of health and health education.

In this connection, the Ministers asked the Commission to make appropriate suggestions regarding priorities on which Community activities should be concentrated, e.g. pharmaceutical products, specialized manpower and harmonization of statistics.

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<sup>1</sup> OJ C 193 of 18. 8. 1976.

<sup>2</sup> OJ L 366 of 28. 12. 1978.

Concerning health education, the Ministers agreed in the main to improve the reciprocal flow of information, to establish methodologies, on a joint basis where possible, and to organize experimental health education campaigns against smoking by young people. In addition they expressed their intention of exploring in greater depth all aspects of the problem of drug abuse.

#### **4. EXTENSION OF THE CONVENTION ON JURISDICTION AND ENFORCEMENT OF JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS**

218. The Representatives of the Governments of the Member States, meeting within the Council, signed the Convention of Accession of Denmark, Ireland and the United Kingdom<sup>1</sup> to the above Convention,<sup>2</sup> and the Protocol on its interpretation by the Court of Justice.<sup>3</sup> The 1968 Convention, which was designed to simplify the formalities necessary for recognition and reciprocal enforcement of legal judgments is now of considerable practical importance, since several hundred judgments have been made in the Member States on the basis of this Convention.

Apart from the amendments of a technical nature deriving from the geographical enlargement of the Community, the main amendments to the Convention concern the introduction of:

- certain provisions to take account of the special features of English trust law;
- a number of provisions on maritime law;
- amendments to the provisions governing insurance contracts, to take account of the dimension which the accession of the United Kingdom has added to the insurance market in the Community.

Lastly, new provisions were introduced on consumer protection to take account of changes in the law since 1968.

#### **5. EUROPEAN FOUNDATION**

219. At its meeting of 5 and 6 December 1977 the European Council had approved the principle of establishing a European Foundation in

<sup>1</sup> OJ L 304 of 30. 10. 1978.

<sup>2</sup> Of 27 september 1968 – entered into force on 1 February 1973.

<sup>3</sup> Of 3 June 1971 – entered into force on 1 September 1975.

accordance with the guidelines in the Tindemans report on European Union. It asked the Council and the Commission to examine the aspects of this question which concerned them so that it could take some practical decisions at its meeting in April 1978 in order to implement this project.

The Commission addressed a communication on this subject to the Council on 7 February 1978, and at its meeting of 4 April 1978 the Council agreed to forward to the European Council a text on the aim, tasks, structures and financing of the Foundation. On the basis of this text, on 7 and 8 April the European Council laid down the aim and tasks of the Foundation and agreed on the framework of its structure and financing. The Foundation's headquarters were to be in Paris. The European Council also decided that the formal agreements on the establishment of the Foundation would be implemented as quickly as possible.

The Council continued its work on this matter until the end of the year. However, in December 1978 certain basic problems remained unsolved, in particular the question of how the Community would take part in the work of the Foundation.



## CHAPTER IV

### **External relations and relations with the Associated States**

#### **A – General commercial policy**

##### **1. COMMERCIAL POLICY REGULATIONS**

###### *(a) Express or tacit extension of commercial agreements*

220. Under the terms of the Decision of 16 December 1969, which makes the express or tacit extension of commercial agreements concluded by Member States with third countries subject to a procedure of Community authorization, the Council, on a proposal from the Commission, adopted Decisions dated 30 January, 25 July, 19 September and 19 December 1978 extending a number of friendship trading and shipping pacts and similar agreements concluded by the Member States with third countries.

###### *(b) Common import arrangements*

###### *(i) Liberalized products*

221. Work continued on revising Regulations 109/70 and 1439/74 concerning the common rules for imports from State-trading countries<sup>1</sup> and other third countries<sup>2</sup> respectively, but this work is not yet completed.

222. In addition, at its meeting of 10 October 1978 the Council adopted a Regulation on common rules for imports from the People's

<sup>1</sup> OJ L 19 of 26. 1. 1970.

<sup>2</sup> OJ L 159 of 15. 6. 1974.

Republic of China.<sup>1</sup> This Regulation gives the common list of liberalized products applicable to this country, and must be seen in the context of the trade agreement concluded in April 1978. It aims at implementing the Community's undertaking to increase its rate of liberalization of imports from the People's Republic of China.

In accordance with this undertaking a number of products were liberalized and put on the common list of liberalized products. In addition a number of technical improvements were made to the Regulation applicable to China, and this therefore differs from Regulation 109/70, which applies to the other State-trading countries.

(ii) Products subject to quantity restrictions

— Unilateral import arrangements relating to State-trading countries

223. The Council Decision 75/210/EEC<sup>2</sup> is the basic Decision which lays down the unilateral arrangements for imports from State-trading countries. This Decision has an annex listing the quotas in force in each of the Community zones in respect of the countries concerned.

At its meeting of 12 December 1978 the Council adopted the amendments to be made to the lists of quotas for 1979.

In view of the measures adopted under the textile policy,<sup>3</sup> on 12 June 1978 the Council had adopted a Decision<sup>4</sup> on import arrangements for certain textile products originating in State-trading countries. This latest Council Decision consolidates the special provisions on textile quotas and, in view of the particular difficulties of this sector, lays down more stringent Community attitudes regarding changes to the import facilities granted by the Member States under this Decision.

In addition the Council adopted two Decisions authorizing the United Kingdom, as an exceptional measure, to change its import arrangements for certain textile products in respect of Hungary. This Decision was required once negotiations with Hungary in the textile sector had been authorized.

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<sup>1</sup> OJ L 306 of 31. 10. 1978.

<sup>2</sup> OJ L 99 of 21. 4. 1975.

<sup>3</sup> See paragraph 231 of this Review.

<sup>4</sup> OJ L 168 of 26. 6. 1978.

In such cases, under Article 7 of Decision 75/210/EEC, Member States may no longer apply measures changing import arrangements without a prior Decision by the Council.

(iii) Anti-dumping duties

224. On the basis of Council Regulation (EEC) No 459/68 on protection against dumping or the granting of bounties or subsidies,<sup>1</sup> on 6 June 1978 the Council adopted a Regulation<sup>2</sup> extending the period of validity of the provisional anti-dumping duty imposed by a Commission Regulation on kraft liner paper and board originating in the United States of America, and amending the method of calculating this. This provisional duty became a definitive anti-dumping duty under a Council Regulation which was adopted on 8 September 1978.<sup>3</sup>

(c) *Cooperation agreements*

225. During 1978 several consultation meetings were held pursuant to the Council Decision of 22 July 1974<sup>4</sup> concerning cooperation agreements between the Member States and third countries. At these meetings a productive exchange of information was held on progress in cooperation between the Member States and third countries, and coordination of Member States' actions was improved.

## 2. GATT MULTILATERAL TRADE NEGOTIATIONS

226. The GATT multilateral trade negotiations, which had gathered momentum in the second half of 1977,<sup>5</sup> continued throughout 1978, but it was not possible to complete them for the end of the year as envisaged by the Bonn Western Economic Summit.

The European Council meeting in Bremen in July 1978 stressed the importance which the Community attached to these negotiations, and adopted the following conclusions on international trade:

The European Council reaffirms its determination to strengthen the open world trading system through joint efforts. It emphasizes the

<sup>1</sup> OJ L 93 of 17. 4. 1968.

<sup>2</sup> OJ L 153 of 9. 6. 1978.

<sup>3</sup> OJ L 247 of 9. 9. 1978.

<sup>4</sup> OJ L 208 of 30. 7. 1974.

<sup>5</sup> See 25th Review, paragraphs 187 *et seq.*



outstanding importance it attaches to substantial and balanced results of the GATT multilateral trade negotiations. It calls upon all trading partners to make a constructive contribution to attaining this objective, in which the Community will play its part. The expansion of world trade, the improvement of the international division of labour and sustained economic growth are closely linked and are mutual prerequisites. The Community will take steps against protectionism in international trade and accordingly calls for increased international cooperation and consultation.

The Council watched the progress of the negotiations closely. It discussed them at nearly all of its meetings and, where necessary, complemented the basic Directives which it had adopted in February 1975 as required by these developments to protect the Community's interests. Its meeting of 27 June 1978 was a particular case in point.

227. The objectives of the Community in the negotiations may be listed as follows:

- an overall agreement affording the highest possible degree of international cooperation and free trade and giving industrial products truly equal opportunities of access to the major industrialized markets;
- all the contracting parties to apply the same rules (except for preferential treatment of the developing countries) and to cease to benefit by exemption from the provisional protocol;
- an agreement among the major industrialized countries to reduce industrial tariffs to give balanced reciprocity and to harmonize tariff scales. Once negotiated the arrangements should be implemented in two phases, an initial phase to be implemented in five annual stages, and a second conditional phase to be implemented in three annual stages;
- improved safeguard machinery which incorporates a good international monitoring system, to encourage increased free trading and make it possible to take rapid and selective action in specific cases of market distortion which is attributable to one or more well-defined sources of supply;
- an agreement on countervailing duties and subsidies under which the criterion of material injury (Article VI of the GATT) would be accepted by all the contracting parties;

- a code providing a uniform basis for customs valuations; a fair international code on government supply contracts; a fair and practical code on technical standards and regulations;
- in the agricultural sector the Community stresses the importance of expanding trade in stable world markets and in accordance with the principles and machinery of the common agricultural policy; in particular realistic international agreements must be reached on cereals, milk products and meat;
- better preferential treatment for the developing countries, particularly the least developed of these, without prejudice to the advantages enjoyed by the countries with which the Community has special relations, together with contributions from the developing countries in line with their needs regarding trade, finance and general development;
- the negotiations must form a whole; an agreement cannot be reached on one of the components of the package taken in isolation; an overall assessment of the outcome of the negotiations should be made in the light of the advantages gained and concessions granted in the various sectors.

228. In addition on several occasions the Council discussed the situation created by the failure of the United States Congress to prolong beyond 3 January 1979 the waiver on countervailing duties, which authorized the American administration to discontinue these duties.

On this point, at its meeting of 16 and 17 October 1978 the Council made its position public in the following terms:

'The Council of the Community regrets the decisions taken in Congress and to that extent associates itself with the Commission's statement of 16 October. In this connection the Council refers to the note of 16 September 1978.

The Council assumes that the United States will find a way of enabling the negotiations on all topics, including textiles, to continue, and further assumes that the continued application of the waiver, even after 3 January 1979, is guaranteed.

The Community confirms its previous positions on this subject. In spite of the serious decisions taken in Congress the Community states that it is prepared to continue the talks in order to prepare the way for the conclusion of the negotiations within the terms of the brief.

In order that the negotiations may be thus brought to a conclusion, Congress must guarantee beyond any doubt that the waiver will be applied.

The Council will discuss the matter again in November.'

229. The Council reviewed the negotiations generally, on the basis of a report from the Commission, at its meeting of 12 December 1978, which was devoted specially to the GATT negotiations. While it was pleased that progress had been made in certain directions the Council noted that at the stage reached the negotiations had not achieved balance on all points. During its meeting of 18 December, having ascertained the latest state of the negotiations, the Council expressed the hope that in further negotiations the Commission would achieve a balanced result in all sectors regarding both quality and quantity. At the same time the Council expected these negotiations to be conducted rapidly.

### **3. ADMINISTRATIVE PROBLEMS IN INTERNATIONAL TRADE**

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

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

#### 4. SECTORAL PROBLEMS

##### (a) *Textiles*

231. 1978 was the year of implementation of the trade policy laid down by the Council at its meeting of 19 and 20 December 1977, aimed at enabling the Community to deal with the crisis in the textile sector.<sup>1</sup>

(i) Bilateral agreements between the Community and certain contracting parties to the international arrangement on trade in textile products (MFA)

232. In December 1977 the Council had endorsed the outcome of the Commission's negotiations conducted in accordance with the guidelines drawn up by the Council in October 1977, with a view to the conclusion of long-term bilateral agreements (1978–82) with certain countries in Asia, Latin America and Eastern Europe which are contracting parties to the MFA, and suppliers of low-priced textile products.<sup>1</sup>

Council Regulation (EEC) No 265/78 of 7 February 1978<sup>2</sup> laid down for 1978 the legal basis for implementing these textile agreements and the allocation among the Member States of the Community limits laid down therein.

In accordance with the provisions of the bilateral agreements which had been negotiated, and on the basis of Council Regulation (EEC) No 1439/74 on common rules for imports, in 1978 the Council confirmed new quantitative restrictions imposed by the Commission, at the request of certain Member States, in respect of exports of products originating from certain third countries on which no formal restriction had been laid down in the agreements ('outside the basket').

Lastly, on 21 December 1978, the Council adopted Regulation (EEC) No 3059/78 on common rules for imports of certain textile products originating in third countries.<sup>3</sup> This Regulation incorporates the content of the bilateral agreements negotiated with the contracting

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<sup>1</sup> See 25th Review, paragraph 189.

<sup>2</sup> OJ L 42 of 11. 2. 1978.

<sup>3</sup> OJ L 365 of 27. 12. 1978.

parties of the MFA into Community legislation. In particular it lays down the quantitative restrictions to which these countries are subject for the period 1978–82, and their allocation among Member States.

The Council still has to complete the formalities for concluding these agreements. Accordingly, at the end of 1978 the Commission addressed to it proposals for Regulations, which are now being studied.

(ii) Arrangements to be made for the preferential tariff countries of the Mediterranean

233. Because of the preferential nature of the relations between the Community and certain countries around the Mediterranean it was not planned to conclude agreements as such with these countries, but rather to complete the arrangements which had been negotiated. These aimed at quantitative restrictions on exports of textile products originating in these countries within the limits of the general ceilings on imports laid down by the Council in December 1977.

Accordingly quasi-formal arrangements for self-imposed restrictions were made for 1978 only with Greece, Morocco, Portugal, Spain, Tunisia and Turkey.

The Council had occasion more than once to discuss the difficulties created by imports into the Community of textile products originating in some of these countries.

To avoid a recurrence of these difficulties the Council, at its meeting of 21 December 1978, indicated the desirability of moving towards long-term arrangements with the Mediterranean preferential tariff countries as well, if possible, with all of them. Such arrangements afford greater administrative flexibility than the previous arrangements and greater stability for the transactors concerned. In addition they avoid the involvement of the Community and the countries concerned in a permanent negotiation procedure. On the basis of the Council's decisions at its meeting of 21 December 1978, long-term arrangements were concluded by 31 December 1978 with Greece and Spain. At this date negotiations were being conducted with the other Mediterranean preferential tariff countries.

(b) *Steel industry*

234. Because of the continuing structural crisis in the European steel industry, at its meeting of 19 and 20 December 1977 the Council strengthened its plans to deal with the crisis by adopting a series of internal measures, aimed mainly at restoring prices and re-establishing equilibrium between supply and demand, together with a number of external measures.

These external measures<sup>1</sup> were aimed at concluding bilateral arrangements with the major countries which export steel to the Community, whereby these countries would restrict exports to quantities which would maintain traditional trade patterns as in 1976 (and take account of the lower consumption forecast for 1978). They would also restrain prices, to ensure that the minimum prices laid down within the Community would be maintained. Provision was made for consultations in the event of any deviation from the agreed pattern, and if these did not give satisfaction the Community reserved the right to apply anti-dumping procedures.

Arrangements of this kind were concluded for 1978 with 15 of the countries which are major suppliers of steel to the Community, covering approximately 80 % of its steel imports. These arrangements are accompanied by a ban on Community undertakings, preventing them from aligning their prices on quotations from these countries. This ban was introduced in a Commission Decision to which the Council gave its formal assent in March 1978. The object of this provision is to avoid narrowing the margin of penetration granted to exporting countries beyond minimum Community prices which ensures the maintenance of their traditional trade patterns.

Once these arrangements had been concluded the anti-dumping procedures previously initiated against some of these countries were suspended.

Throughout the year the Community bodies, and in particular the Steel Liaison Committee, which is composed of representatives of the Member States and of the Commission, supervised the smooth running of these arrangements.

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<sup>1</sup> See 25th Review, paragraphs 190 *et seq.*

A number of problems arose regarding compliance with the price rules and also with the quantity restrictions. Frequent consultations with the contracting parties were held on these problems, in accordance with the provisions of the arrangements, and in general most of the difficulties were resolved in this way.

At the end of 1978 the Council noted that by and large the objectives which the Community had set itself regarding these arrangements had been achieved. In particular the arrangements had prevented external influences from jeopardizing the internal prices, which had stabilized above the 1977 levels. In addition imports during the first six months of 1978 were 5% lower than during the corresponding period in 1977.

At its meeting of 18 and 19 December 1978 the Council again decided to extend the measures for dealing with the crisis to the end of 1979. In addition to a number of measures relating to the internal situation,<sup>1</sup> it considered that for 1979 some measures regarding external aspects should be adopted. It therefore renewed the negotiating mandate given to the Commission at its meeting of 19 and 20 December 1977, with a view to extending to 1979 the arrangements concluded with the main exporters of steel to the Community, making a number of adjustments to these arrangements. At the same time it gave its formal assent to a measure prohibiting Community firms from aligning their prices on quotations for steel products from countries with which arrangements were to be concluded in 1979. The Commission immediately began negotiations on the basis of these terms of reference.

## **B – Development cooperation policy and North-South Dialogue**

### **1. EUROPEAN COUNCIL**

235. At its meetings on 7 and 8 April in Copenhagen and 6 and 7 July in Bremen the European Council adopted a number of conclusions concerning relations with the developing countries. It will be noted that these conclusions form an integral part of the common strategy

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<sup>1</sup> See paragraphs 53 *et seq.* of this Review.

concerning the economic and social situation, and as such express recognition of the part which the economic expansion of the developing countries has to play in re-establishing the world economy.

236. In Copenhagen the European Council adopted the following conclusions:

'The European Council noted that an overall increase in the flow of aid to the developing countries will facilitate their possibilities of playing a greater part in a general recovery of the world economy.

The European Council reaffirmed the will of the Community to contribute constructively to progress in the North-South Dialogue in order to promote a more just and equitable world economic order.'

237. In Bremen the following conclusions were reached:

'Relations with the developing countries

The European Council is of the opinion that progress in the North-South Dialogue is essential for the solving of international economic problems and the safeguarding of world peace and stability. It reaffirms its will to strike a balance of interests between North and South even in difficult times. This requires the industrialized countries' markets to be open to products from the developing countries. Full integration of the developing countries into the world trade system represents a considerable contribution to this extension of world trade.

At the same time the Community and the Member States will continue and step up on a worldwide basis the development assistance which they provide.

Efforts to achieve constructive results in the current negotiations on a common fund and individual commodity agreements are to be continued. In this context, the stabilization of export earnings should receive further study.

The European Council regards the Lomé Convention as an important part of North-South cooperation and looks forward to successful negotiations on its renewal.



The European Council considers that the worldwide inter-connections between the economic activities of all concerned – including the State-trading countries – call for common action on a basis of joint responsibility. It continues to place its trust in a favourable climate of cooperation in the United Nations and emphasizes the Community's firm resolve to render North-South relations mutually advantageous by means of cooperation, partnership and readiness to play a greater part.'

## 2. DEVELOPMENT COOPERATION POLICY

238. The ministers responsible for questions relating to development met on 25 April and 10 October 1978.

(a) *Coordination and harmonization of development cooperation policies*

239. The Council held a wide-ranging discussion on this subject, with particular reference to the volume and geographical distribution of official development aid. Regarding the volume of aid, the Council reached the following conclusions which formed the basis of the Community's position in the UN Committee of the Whole, at its meeting in May:<sup>1</sup>

— it was noted at the last European Council that a general increase in the flow of aid to the developing countries would better enable the latter to assume a more important role in the general recovery of the world economy;

there was an obvious need for swift progress by the industrialized world towards achievement of the internationally fixed objective for official development aid. This requires, in particular, a greater effort by countries which have hitherto fallen far short of this objective, taking account of the various shades of opinion expressed in earlier discussions'.<sup>2</sup>

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<sup>1</sup> See paragraph 252 of this Review.

<sup>2</sup> European Council of 5 and 6 December 1977. See paragraph 235 of this Review.

On this subject the Council also:

- approved a document on the policies to be pursued on a worldwide scale concerning co-financing with regard to resources administered by the Commission;
- held a preliminary discussion on preparations for the Third International Development Strategy Decade. This discussion should be considered as the starting point of the process of working out the Community's positions on the various points. This free discussion was based on a communication from the Commission and led to a consensus on the following points:
  - the necessity of giving all due consideration to the wishes of developing countries without forgetting the industrialized countries' own interests;
  - recognition of the interdependence of the developing and industrialized countries, which involves common interests which should be given all due attention in drawing up the Third Strategy;
  - consideration of the disparities which have appeared among the developing countries, which means that objectives and instruments should be modulated and adapted to the real needs of each category of country;
  - the necessity of selecting a number of practical and realistic objectives as the main themes of the Third Strategy;
  - the primordial importance which should be attached to the elimination of poverty in order to improve the living conditions of the poorest by satisfying their fundamental needs. In this connection the food problem becomes particularly important (in particular increased food production and achievement of a better balance between industrial and rural development in the developing countries).

(b) *Technical and financial aid to non-associated developing countries*

(i) Outline Regulation

240. At its meeting of 25 April 1978 the Council adopted a common position concerning a draft Regulation governing financial and

technical aid to non-associated developing countries. This position was then discussed with Parliament, using the conciliation procedure,<sup>1</sup> since the Council was not in agreement with Parliament on two articles concerning administration of the aid. The outline Regulation cannot be adopted by the Council until the conciliation procedure is completed.

The Regulation lays down general criteria for granting this type of aid, and it stipulates that, subject to guidelines which the Council will draw up each year, the aid will be administered by the Commission, assisted by a Management Committee. The criteria in question are:

- As a general rule the aid is intended for the poorest developing countries. With a view to applying this principle the Community should ensure that it has a presence in the main regions of the world where the developing countries are situated while making an effort to establish a reasonable geographical balance between these regions.
- The main aim of the aid is to improve the living conditions of the most needy sections of the population in these countries.
- Particular importance is attached to developing the rural environment and improving food production.
- As a subsidiary measure consideration may be given to involvement in regional projects.

(ii) Programme for 1978

241. At its meeting of 25 April 1978 the Council held a debate on the general guidelines governing this programme. On this basis the Commission drew up a detailed programme which the Council approved unanimously at its next meeting on 10 October 1978. This programme involves 70 million EUA.

In accordance with the criteria in the draft Regulation and the guidelines mentioned above, the priorities for the breakdown into projects are as follows: integrated rural development: 25%; storage infrastructure: 23%; irrigation and water management infrastructure: 13%; studies and technical assistance in the rural sector: 12%. Regional projects will account for 15% of the total coverage of aid, the proportion for Latin America being more than 50%. The allocations for

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<sup>1</sup> Since it is an instrument of general application, with financial implications, which does not have to be adopted by virtue of previous instruments.

1978 are shared between Asia (75 %), Latin America (20 %) and Africa (5 %). Once again India is the major beneficiary, since it receives slightly more than a quarter of the total aid. The other direct beneficiaries in Asia are Bangladesh, Indonesia, Laos, Pakistan, Sri Lanka and Thailand. In Latin America the direct beneficiaries are Bolivia, Haiti, and Honduras. Four Asiatic regional organizations and eight Latin American regional organizations will also receive aid. In Africa the beneficiary countries are Angola and Mozambique.

(iii) Programme for 1979

The Council examined the general guidelines for this programme at its meeting of 10 October 1978.

(c) *Generalized Preferences granted by the Community in 1979*

242. After consulting the Associated States concerned and the ACP States, at its meeting in December 1978 the Council adopted the generalized preference scheme for 1979.

The new efforts made by the Community for 1979 mainly concern the optimum use of the preferences already granted by the Community, in view of the systematic improvements made in previous years and the current economic situation in the Member States, particularly in certain very sensitive sectors. Special emphasis will be placed on measures to help the least-advanced developing countries.

The Council made the following decisions regarding these countries:

- In the agricultural sector:
  - They would be exempt from all duties on all the products listed in Chapters 1–24 of the GPS. For the six products subject to special rules, this exemption applies within the quantitative limits laid down.
  - Raw coffee and dried grapes are included. The least-advanced developing countries are completely exempt from duties.
- In the industrial sector:
  - Suspension of measures to re-establish duties on sensitive products and 'hybrid' products in the case of quota systems, ceilings and breaking points.

Apart from these measures the main features of the Community scheme are as follows:

- Industrial products other than textiles:
  - An overall improvement in 1979 in the proposed quotas.
- Textiles:
  - The Council will study a proposal from the Commission to introduce an entirely new scheme for textiles, but it decided that pending the outcome of this study the present system should be extended for six months, and the overall volume increase in imports fixed at 5 %.
- Agricultural sector (Chapters 1–24 of the CCT):
  - Compared with the concessions to the least-advanced developing countries the improvements to the scheme (inclusion of hilsa and a certain type of grapefruit juice, improvements concerning cigars and certain shellfish, and a larger reserve on the part of the Community as regards pineapples) were limited, mainly because the Community had already made a major contribution to the multilateral trade negotiations through the proposal which it had made previously concerning tropical products.

(d) *Food aid*

243. (i) Annual programmes for 1978

The Council adopted the Community programme for cereals on 30 January 1978 and the programmes for butter-oil and skimmed milk on 25 April 1978.

244. The cereals programme involves supplies totalling 1 278 000 tonnes, divided between Community and national projects in the ratio of 56:44 %, giving a Community share of 720 000 tonnes.

The main beneficiaries, in descending order, were: Bangladesh, Vietnam, Egypt, Pakistan, Sri Lanka, the Lebanon, Senegal and Jordan.

245. The butter-oil programme involves the supply of 45 000 tonnes of butter-oil (the same figure as for the previous year) and 150 000

tonnes of skimmed milk. The main recipients of gifts of milk products, in descending order, were: butter-oil: India,<sup>1</sup> Vietnam, Bangladesh, Pakistan and Ethiopia; skimmed milk: India,<sup>1</sup> Bangladesh, Egypt, Ghana, Honduras, the Yemen and Ethiopia.

246. A particular innovation, and one of major importance, was the decision on the project for food aid to India known as 'Flood II'. This is a vast multiannual project for rural development aimed at improving the living conditions of 10 million families by setting up a dairy industry. There will be a delivery network covering more than 100 major towns with a total population of approximately 150 million.

This project is a joint effort by the Indian Government, the World Bank and the European Communities, who will provide food aid in the form of skimmed-milk powder (31 000 tonnes) and butter-oil (12 700 tonnes). It differs from previous projects in that the food aid for this project is not simply a means of helping a developing country to meet its immediate food needs, but a direct means of encouraging long-term rural development.

(ii) Directives for the negotiation of a new Food Aid Convention in the framework of an International Cereals Agreement

247. Following its decision of November 1977 on the world-wide objective of 10 million tonnes of cereals, at its meeting of 7 February 1978 the Council approved directives for these negotiations which, in particular, allow the Community to increase its contribution to the Convention in line with any increased contributions from the other donor countries. These negotiations form part of the process of drawing up a new agreement on cereals, and have not yet been concluded.

(iii) World Food Council

248. The Community and its Member States adopted a common position for the fourth session of the World Food Council, which was held in Mexico on 5–15 June 1978. The 'Mexico declaration' was approved by consensus at the end of the session.

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<sup>1</sup> See paragraph 246 of this Review.

(iv) Outline Regulation

249. The Commission addressed to the Council a communication urging the adoption of new procedures for administering food aid. These proposals are being studied.

**3. NORTH-SOUTH DIALOGUE**

250. The Community took a general part in the various negotiations for the North-South Dialogue. It adopted a common position of which the general aims had been laid down beforehand by the Community bodies in Brussels. This was made effective by coordinating views on the spot.

(a) *Action in the UN Committee of the Whole and in the General Assembly*

251. Meetings were held in May and September 1978 in connection with the first session of the Committee of the Whole. The Community produced documents defining and explaining its position on the following problems:

- study and evaluation of the main factors affecting the world economy, and, in particular, the economies of the developing countries, with special emphasis on the links between the economies of the developing and the industrialized countries and on the expansion problems of the developing countries;
- transfer of real resources to the developing countries;
- problems of the least-developed countries, countries which are landlocked or islands, and the most disadvantaged countries;
- measures relating to world food problems and agricultural development;
- Lima Declaration and Action Programme, and building up industrial capacity in the developing countries.

At the May meeting of the Committee agreement was reached on the first of the above points. However, subsequent discussions became bogged down over the transfer of resources and a complete

deadlock was reached at the September meeting over procedural points regarding how the terms of reference which the Committee had received from the United Nations General Assembly should be interpreted, with the Group of 77 strongly maintaining that the Committee constituted a forum for negotiations.

The Community and the Member States made some important suggestions towards relieving the situation. However, in the end it was impossible to reach agreement and the matter had to be referred back for a decision to the 33rd session of the United Nations General Assembly. This body reached agreement on the direction which the work of the Committee of the Whole should take, and adopted Resolution 32 174 in this connection. Before this agreement was reached consultations were held from which it emerged that the terms of reference of the Committee of the Whole corresponded in a sense very broadly to the suggestions made by the Community at the September session, as mentioned above. Basically it was understood that the Committee would have to conduct negotiations with a view to adopting lines of action concerning fundamental questions of policy. These negotiations would take the form of conclusions addressed to the General Assembly, which would forward them to the Member States.

In addition to taking part in the work of the Committee of the Whole, the Community made a useful and positive contribution to the debates at the 33rd ordinary sessions of the United Nations General Assembly. The debates concerned, *inter alia*, the main items in the North-South Dialogue at present being studied in international circles.

(b) *Debt*

252. The ninth session of the Trade and Development Board of UNCTAD was held in Geneva on 6–11 March 1978. It adopted by consensus a Resolution on the indebtedness and development problems of the developing countries. This represented a compromise on the important question of the indebtedness of the developing countries to the industrialized countries. The compromise was very similar to the Community's basic position defined by the Council at its meeting of 7 March 1978, which enabled the Community to play an important part in the negotiations.



The first part of the Resolution deals with the alleviation of the terms of past bilateral official assistance, with a view to bringing them in line with the currently prevailing more favourable terms. The industrialized countries are to make efforts to adopt adjustment measures, particularly on behalf of the least-developed countries, and each case is to be considered individually. The second part of the Resolution deals with the identification of features which could provide guidance for future operations relating to debt problems. The Resolution notes the existence of certain common basic concepts, which include two essential features of the proposal made by the Community and the United States to the Conference on International Economic Cooperation in Paris, viz. each case is to be considered separately, and distinction is to be made between situations of acute crisis and more long-term situations. It calls for an intergovernmental group to negotiate detailed guiding principles which were to be submitted to the UNCTAD Trade and Development Board for approval at its tenth session in March 1979.

(c) *The UNCTAD integrated programme for commodities*

(i) Common Fund

253. The United Nations Negotiating Conference on a Common Fund resumed its work in Geneva on 14–30 November 1978, following its suspension at the end of 1977 at the request of the Group of 77.

This session was preceded by several months of high-level informal consultations in which several Member States of the European Communities and the Commission took part. The discussion mainly concerned the questions on which the points of view of the various regional groups had to be reconciled if the next session of the Conference was to produce any positive results. The main points to be decided were:

- whether, as argued by the Group of 77, the direct governmental contribution should constitute one of the components of the financial structure of the Common Fund;
- whether separate provision should be made in the Common Fund for the financing of measures other than the establishment of buffer stocks, an idea particularly favoured by the African countries;

- what proportion of the Fund's financial structure should consist of the deposits made under international agreements on individual products;
- Group B strongly maintained that the basic resources of the Fund should consist of a pool of these deposits.

Under the aegis of the OECD the Community and its Member States took an active part in drawing up guidelines for Group B when the session of the Conference was resumed. This work culminated in the presentation during the session of a new document defining the position of Group B on what the basic features of a Common Fund should be. While maintaining that deposits under the international product agreements should form the main component of the Fund's financial resources, Group B, to which the Community and the Member States belong, stated in this document that, given a satisfactory global agreement, they were prepared to recognize the principle of direct national contributions and of the establishment of a separate procedure for the 'other measures'.

The Community remained united throughout the Conference. This closed with the presentation of the conclusions from the chair, which showed that some progress had been made and, at the same time, defined more clearly the remaining areas of divergence. The Conference also agreed to resume its work at a third session to be held in Geneva between 26 February and 2 March 1979, to make a last attempt to reach agreement on the remaining questions. Preparatory work will begin shortly on defining the Community's position at the next session.

(ii) *Existing commodity agreements*

254. The Community is an active party to the International Agreements on coffee, cocoa, olive oil and tin, which are in the Integrated Programme. In addition to this Programme the Community is also fully involved in the International Wheat Agreement and the current negotiations for its renewal. The Community took part in the negotiations on the Sugar Agreement, but has not yet signed this. In addition it is in the process of defining its position in negotiations for new Agreements on cocoa and olive oil.

(iii) Preparatory discussions with a view to the negotiation of Agreements on commodities

255. In accordance with Resolution 93 (IV), UNCTAD continued its intensive programme of work on the 18 basic commodities in the Integrated Programme.<sup>1</sup> In general the Community and its Member States have continued to play an active part in this work.

Rubber is the only commodity on which work has reached the negotiating stage. At its meeting on 21 November 1978 the Council approved a common position which will enable the Community and the Member States to take a full part in the Conference which the United Nations have agreed to hold in Geneva on rubber.

## **C – Relations with the ACP States and the overseas countries and territories**

### **1. ADMINISTRATION OF THE LOMÉ CONVENTION**

256. In 1978 application of the Lomé Convention, signed on 28 February 1975, continued concurrently with the negotiations between the Contracting Parties to examine the provisions which would subsequently govern relations between the Community and the Member States on the one hand and the ACP States on the other.<sup>2</sup>

Although the administration work lagged politically somewhat behind the negotiation activities, it nevertheless played a notable role in implementing the Convention, the joint bodies under which – Council of Ministers, Committee of Ambassadors, Committees, joint Subcommittees and joint Working Parties on the one hand, Consultative Assembly and Joint Committee on the other – constitute one of its characteristic and basic features.

The decision-making body, the Council of Ministers, adopted important Decisions during the year concerning the management of

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<sup>1</sup> In accordance with current procedure these discussions were concerned with commodities already covered by Agreements, i.e. cocoa, coffee, sugar, olive oil and tin. (See paragraph 254 of this Review.) The other products concerned are bananas, bauxite, copper, cotton, hard fibres, iron-ore, jute, manganese, meat, phosphates, rubber, tea and tropical woods.

<sup>2</sup> See paragraphs 284 *et seq.* of this Review.

financial and technical assistance, derogations from the rules of origin and the accession of three new States to the Lomé Convention.

257. Testimony to the specific nature of the Lomé Convention was provided notably by the granting of transfers of a total of 33.7 million u.a. to 12 ACP States for the stabilization of export earnings for the financial year 1977 and the commitment of 1 587 million EUA for 1978 for aid managed by the Commission and of 262 363 million EUA for aid managed by the European Investment Bank, including 199 370 000 EUA for loans from the Bank's own resources covered by interest-rate subsidies and 62 993 000 EUA for risk capital operations, bringing the grand total of commitments decided on by the Commission and the Bank since the Convention entered into force to 263 950 million EUA. Lastly, the provisions on ACP-EEC trade and those adopted in the Protocol on sugar enabled the ACP States to maintain the level of their exports at a time when trade between the developing countries and the industrialized countries was in decline and enabled the Community to increase appreciably its exports to the ACP States.

(a) *Trade cooperation*

258. The pattern of trade in 1978 was marked by a certain decline in the Community's imports from the ACP States (total value 11 865 million EUA as against 12 459 million EUA in 1977 and 8 711 million EUA in 1975). Community exports to the ACP States, on the other hand, continued to increase (total value 12 717 million EUA as against 12 460 million EUA in 1977 and 8 118 million EUA in 1975, with the result – which the ACP States deemed unsatisfactory – that the trade balance, which showed a surplus of 593 million EUA in 1975 for the ACP States, became a deficit of 852 million EUA in 1978. However, it may be observed that the fall-off in imports from the ACP States in 1978 was smaller (– 5 %) than for the other developing countries (– 6 %), while the increase in imports from the ACP States in 1976 (20 %) and 1977 (26 %) was greater.

259. The ACP-EEC Subcommittee on Trade Cooperation met on 16 June and 17 November 1978. The Community and the ACP States held exchanges of information and consultations on such cooperation, with reference in particular to textile products and the GATT multilateral trade negotiations. In accordance with Article 11 of the Convention, consultations took place on the Community's generalized

system of preferences (GSP) for 1979 in order to enable the Council of the Communities to bear in mind the interests of the ACP States in the decisions of principle which it was required to take on the proposals in this field submitted by the Commission.

Furthermore, the ACP-EEC Working Party on the effects of the Community's GSP on ACP exports, which was set up in 1977, held its first meeting and agreed to devote its attention first and foremost to wood (including plywood) and pineapples.

260. As regards commercial policy, it was pointed out that each party to the Lomé Convention was bound to inform the other of any intention on its part to adopt trade measures likely to affect the interests of the other party. The obligations devolving upon the ACP States (non-discrimination, most-favoured-nation arrangements, submission of customs tariffs) were also recalled.

261. At the meeting of the Subcommittee on Trade Cooperation on 31 January 1978 the Community reminded the ACP States of a statement which it had made in November 1977 underlining its willingness to undertake, if necessary, with any ACP States concerned which so wished, an examination of the genuine prospects for marketing textile products, bearing in mind that cooperation could obviate recourse to safeguard measures or disposal difficulties on the Community market.

On 23 October 1978 the Commission sent a communication to the Chairman of the Committee of ACP Ambassadors in which it yet again reiterated the substance of its statement of November 1977. The Commission also emphasized the importance of continuous cooperation with the ACP States on sensitive textile products and the threshold ceilings adopted by the Council of the Communities.

The ACP States expressed strong reservations with regard to the possibility of applying voluntary restraints to their textile exports to the Community, pointing out in particular that there was a deficit in the balance of the ACP States' textile trade with the Community and that imports of ACP textiles on the Community market represented only a small percentage (1.8 %) of total textile imports.

262. In the beef and veal sector the Council of the Communities adopted a Regulation on 19 December 1978 renewing for a further

period (until 1 March 1980) the special provisions agreed for the previous years.<sup>1</sup>

Under these provisions beef and veal originating in the ACP States enjoys, on importation into the Community, a 90 % reduction in the normal charges for imports into the Community, within the limit of pre-established quantities. This reduction is in addition to the completely duty-free entry provided for when the Lomé Convention was signed.

263. On 28 February 1978 the Council adopted Regulation (EEC) No 430/78 on the arrangements applicable to tomatoes originating in the ACP States or in the OCT.<sup>2</sup> This Regulation provides, from 15 November to 15 April, for customs duties equal to 40 % of the CCT duties within a Community tariff quota of 1 000 tonnes, with a minimum charge of 2 u.a. per 100 kg.

The Council then adopted, on 16 October 1978, Regulation (EEC) No 2459/78 opening, under the abovementioned conditions, a quota of 1 000 tonnes for tomatoes for the period 15 November 1978 to 15 April 1979.<sup>3</sup>

264. In the context of applying Protocol No 7 on rum the Council adopted, on 6 June 1978, Regulation (EEC) No 1227/78, to apply until 30 June 1979, on the opening, allocation and administration of a tariff quota of 161 807 hectolitres of pure alcohol for rum, arrack and tafia originating in the ACP States.<sup>4</sup>

The ACP States raised the question of the difficulties encountered by some Community importers in obtaining import licences. They also asked the Community to ensure that the ACP-EEC consultations which the Community had undertaken to initiate with regard to the proposal on the common organization of the market in ethyl alcohol took place at a stage when consultations would influence the Community's decision. They also requested that the regulations currently under examination should not exclude ACP rum from Community markets.

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<sup>1</sup> Regulation (EEC) No 2993/78, OJ L 357 of 21. 12. 1978.

<sup>2</sup> OJ L 59 of 1. 3. 1978.

<sup>3</sup> OJ L 296 of 21. 10. 1978.

<sup>4</sup> OJ L 153 of 9. 6. 1978.

The Community confirmed that it would consult the ACP States when it had adopted a common position on the aforementioned proposal.

265. The ACP States asked the Community to draw up programmes for the supply of surplus agricultural products, possibly to take specific form as price and quantity conditions directed towards greater stability for their imports. After detailed examination of these requests the Community forwarded to the ACP States on 24 July 1978 within the framework of the instrument on management of the markets adopted by the Community proposals to facilitate the conclusion of private-law contracts between economic operators by enabling such contracts to have a longer duration than that at present possible in such contracts. These proposals also provided for the possibility of tenders slightly favouring operators in a geographical area covering all ACP countries, instead of being limited to some ACP States in Africa as is at present the case.

Despite the discussions on this issue in the ACP-EEC subcommittee on Trade Cooperation, the ACP States have not yet been able to agree to the implementation, possibly on an experimental basis, of the contract procedures proposed by the Community.

266. As for trade promotion, the ACP representative and the Commission departments met in Brussels on 6 and 7 February 1978 to examine the possibilities and means of activating trade promotion measures to assist the ACP States.

In the negotiations for the new ACP-EEC Convention the Community and the ACP States have already expressed their satisfaction at the convergence of views on the trade promotion measures to enable the ACP States to derive maximum benefit from the arrangements for free access to the EEC market. They have emphasized the importance of intensifying, diversifying and increasing the effectiveness of such measures, notably by making them possible from the production stage.

(b) *Customs cooperation*

267. The ACP-EEC Customs Cooperation Committee has submitted a report on the general situation as regards application of Protocol

No 1 concerning the definition of the concept of 'originating products'. It has also discussed various technical problems.

In the light of that Committee's work the ACP-EEC Council of Ministers was able to agree, at its meeting in Brussels on 13 and 14 March 1978, to a Council Decision and statement relating in particular to the amendment of lists A and B and of certificates EUR 1 and EUR 2 provided for in Protocol No 1 to take into account the changes in international nomenclature scheduled for 1 January 1978.<sup>1</sup>

The Council of the Communities adopted the Regulation implementing this Decision.<sup>1</sup>

At the Ministerial Conference in Brussels on 21 December 1978 the ACP-EEC Council of Ministers adopted two Decisions renewing the derogations from the rules of origin for Malawi and Kenya (artificial fishing flies) for the period from 1 June 1978 to 31 December 1979.

The Council of the Communities adopted the Regulations implementing these Decisions.<sup>2</sup>

Furthermore, as the ACP States had submitted a request from the Government of Mauritius for a derogation from the definition laid down in Protocol No 1 in respect of canned tuna produced by that State, a draft Decision was prepared to that effect with a view to approval by the ACP-EEC Council of Ministers. The proposed derogation covers a quantity of 1 600 tonnes exported by Mauritius from 25 November 1978 to 24 November 1979. The ACP-EEC Council of Ministers adopted the Decision in question at its meeting on 23 March 1979.<sup>3</sup>

(c) *Stabilization of export earnings*

268. In 1978 the Community made 17 transfers relating to loss of exports earnings by the ACP States during the financial year 1977.

As transfer requests in respect of 1975 were submitted during 1977 by three ACP States (Gabon, Kenya and Mali), the question

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<sup>1</sup> OJ L 177 of 30. 6. 1978.

<sup>2</sup> OJ L 31 of 7. 2. 1979.

<sup>3</sup> OJ L 117 of 12. 5. 1979.



arose whether, to be eligible, these requests should not have been submitted by 31 December 1976 at the latest. Subsequently, at its meeting on 13 and 14 March 1978, the ACP-EEC Council of Ministers initiated at the request of the ACP States the good offices procedure provided for in Article 81 (2) of the Convention through the President of the Council of ACP Ministers and the President of the Council of the European Communities.

This procedure culminated in a recommendation being submitted by the representatives of the two Presidents (the delegation of Jamaica for the ACP States and the Danish Delegation for the Community) to the Council of Ministers to the effect that the latter asked the Commission to examine the requests submitted by the three ACP States concerned.

At its meeting on 22 and 23 March 1979 the Council of Ministers decided in favour of this recommendation.

(d) *Sugar*

269. An agreement in the form of an exchange of letters was concluded on 24 July 1978 between the Community and the sugar-producing ACP States on the guaranteed prices for cane sugar. *Inter alia* this agreement fixed for the period 1 July 1978 to 30 June 1979 the guaranteed prices referred to in Article 5 (4) of Protocol No 3 at 27.81 u.a. per 100 kg for raw sugar and 34.49 u.a. per 100 kg for white sugar.

The Community also examined in detail the ACP States' request on the possible accession of Zambia to Protocol No 3, bearing in mind the provisions of Annex XIII to the Convention, with the right to export 15 000 tonnes of sugar to the Community. Following this examination the Community informed the ACP States that the current situation on the Community market was such that it was unable to commit itself beyond its import obligations under the said Protocol.

(e) *Industrial Cooperation*

270. Title III of the Lomé Convention, on ACP-EEC industrial cooperation, is implemented under the supervision of the Committee on Industrial Cooperation, which is itself supervised by the ACP-EEC Committee of Ambassadors. Under Article 35 of the Convention the

tasks of the Committee on Industrial Cooperation are in particular to examine the problems in the field of industrial cooperation submitted to it by the ACP States and/or the Community, to guide, supervise and control the activities of the Centre for Industrial Development, to report to the Committee of Ambassadors and, through it, to the ACP-EEC Council of Ministers, and to submit from time to time reports and recommendations to the Committee of Ambassadors.

The Committee on Industrial Cooperation has met five times during the period covered by this review.

In a report to the Committee of Ambassadors which the ACP-EEC Council of Ministers examined at its annual meeting on 13 and 14 March 1978 the Committee took stock of its work concerning its internal organization and the work on the general structure and rules of operation of the Centre for Industrial Development, the establishment of the Advisory Council of the management of the Centre, the conditions of employment of the staff of the Centre and related issues, the Financial Regulation of the Centre, the budget of the Centre for 1977 and the preparation of the budget for 1978. In this connection, the Committee notably held detailed exchanges of views on the activities of the Centre for Industrial Development in the light of the plans and programmes for future activities and other information provided by the Director of the Centre.

At its meeting in February the Committee formally adopted the budget of the Centre for 1978, totalling 2 360 000 EUA.

At its June meeting the Committee formally appointed the members of the Advisory Council of the Centre. Pursuant to Decision No 2/76 of the Council of Ministers laying down the Statutes and rules of operation of the Centre, as amended by Decision No 7/77 of the Council of Ministers, this Advisory Council is composed of 14 members with industrial experience, chosen on an individual basis from nationals of the States which are parties to the Convention on the grounds of their qualifications and experience. Eight of these members were chosen from nationals of the Member States and six from nationals of the ACP States. The Advisory Council designated Mr A. Bello (Cameroon) to chair it for a year. The Committee on Industrial Cooperation also approved the Rules of Procedure of the Advisory Council. Mr B. Chandra and Mr E. Ruppert were also appointed to act jointly as auditors of the Centre for Industrial Development.

The Committee devoted several meetings to discussing the conditions of employment of the staff of the Centre, notably certain difficulties arising from the fact that part of the staff were expatriate in Brussels. At the request of the ACP States it defined the conditions for the reimbursement of certain exceptional education expenses; it agreed, for the benefit of the expatriate staff, on a deduction as regards calculation of the tax paid for the benefit of the Centre from staff salaries. It also decided to adjust remuneration to take into account the rise in the cost of living.

One of the main features of the Committee's work was probably giving the Centre for Industrial Development guidelines for its activities. These guidelines firstly point out that the Centre is an operational instrument which plays the role given to it, in close cooperation with the ACP States and, on the Community side, the Member States and the EIB, within the framework of the principles and provisions set out in the Lomé Convention. They state that the Centre will, within the limits of its capabilities, have an important function and will in particular be able to help the ACP States to fix priorities, to launch proposals for projects and to examine requests for assistance and contacts, after making sure that there is a favourable climate in the country or countries concerned in each instance. As regards projects, the fundamental principle underlying the selection made by the Centre should be economic viability. The Centre should take into account both social profit for the populations concerned and the profitability of the undertaking, a guaranteed market constituting one of the important factors in such profitability; the problem of over-equipment, which might be detrimental to all parties and jeopardize the successful outcome of projects, should therefore be borne in mind.

The guidelines also lay particular emphasis on small and medium-sized undertakings, regional aspects, concentration of activities on industrial promotion by paying greater attention to the least-favoured countries, the transfer of technologies, the dissemination of information, improved knowledge of the climate for investors in the ACP States, greater priority for training, particularly by giving full weight to the regular examination and evaluation of the adequacy of industrial training programmes.

271. After the Director of the Centre had submitted to the Committee a progress report for the period September 1977 to September 1978, a

work programme and a preliminary draft budget for 1979, drawn up in the light in particular of these guidelines and the formal opinion of the Advisory Council, the Committee finalized on the basis of these documents the budget of the Centre for 1979, which will be finally adopted at the beginning of 1979, once the procedure for the EDF contribution to the budget of the Centre has been completed. It was decided that activity reports would henceforth coincide, like the budget, with the calendar year and that in the spring of 1979 the Director would therefore submit a final report covering 1978.

272. Industrial cooperation constituted one of the main fields covered by the negotiations for the future ACP-EEC Convention. Within the Community, the Council gave the Commission negotiating directives. The importance of industrial cooperation was stressed by both parties at the opening Conference on 24 July 1978. Subsequently the negotiators reached mutual agreement on seven topics which should be given particular attention in the negotiations, viz: the objectives of industrial cooperation, financing and administering it, detailed ways of achieving it (including the processing locally of ACP raw materials, the transfer and adaptation of technology, training), support for small and medium-sized undertakings, consultations on industrial cooperation aimed at keeping the parties more adequately informed on the economic prospects of certain sectors, investment promotion and protection and, lastly, energy cooperation. Negotiations have already begun on most of these topics.

Questions relating to industrial cooperation were examined at the ACP-EEC Ministerial Conference on 21 December 1978, notably in a joint Ministerial Group, which also discussed problems concerning sea fishing and origin. The conclusions of the Conference should leave the negotiators with a clearer picture of the principal questions arising in these different areas, and thus make it easier for a solution to be found to the problems concerned as the negotiations progress.

*(f) Financial and technical cooperation*

273. Work on implementation of the Convention slowed down notably with the opening of the negotiations for a new ACP-EEC Convention.

274. The report which the Commission prepares annually, in collaboration with the European Investment Bank, on the management

of financial and technical cooperation was forwarded, as regards the financial year 1977, to the ACP-EEC Council of Ministers shortly before its annual meeting. The Council of Ministers accordingly renewed the brief given, in the Resolution adopted in Fiji on 14 February 1977, to an ACP-EEC working party of experts with a view to implementation of Article 41 of the Lomé Convention. The Council of Ministers instructed these experts to carry out, in addition to the comprehensive stocktaking of financial and technical cooperation measures, a detailed examination of the Commission report for the financial year 1977.

The ACP-EEC Council of Ministers also delegated to the ACP-EEC Committee of Ambassadors the power to prepare a Resolution on the measures to be taken by the Community and by the ACP States to ensure attainment of the objectives of financial and technical cooperation.<sup>1</sup>

At its annual meeting on 13 and 14 March 1978 the ACP-EEC Council of Ministers heard statements by the representatives of the Commission, the European Investment Bank and the ACP States on the management of financial and technical cooperation over the previous financial year. It also heard statements by the representatives of the ACP States, a Member State and the Commission on the situation of the least-developed, landlocked or island ACP States. The Council recognized the need to assist these countries.

As regards the Decision on the fiscal and customs arrangements applicable to contracts financed by the Community which the Council had been asked to adopt at its first meeting, the Council again instructed the ACP-EEC Committee of Ambassadors to endeavour to resolve the questions outstanding.

On 9 March 1978 the Community forwarded draft general conditions for works contracts financed by the Community and on 5 July 1978 it forwarded the corresponding provisions for service contracts. At the same time the Community continued its internal work on finalizing the provisions for supply contracts.

275. On the basis of a report by the Commission of the European Communities and the European Investment Bank on the use of the

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<sup>1</sup> Decision No 2/78 of the ACP-EEC Council of Ministers.

40 million EUA which could be committed during the first two years of application of the Convention in the form of risk capital, the Council of the Communities felt that this experiment could be regarded as positive and that it was essential that the beneficiary ACP States and the associated overseas countries and territories be permitted to continue to benefit without interruption, with a view to their industrialization, from risk capital managed by the Bank.

The Council therefore decided on 7 February 1978 to increase from 40 to 100 million EUA the amount of aid available under the 1975 Internal Financing Agreement in the form of risk capital.

276. On 18 December 1978 the Council amended its Decision of 28 October 1977 in order to cancel the call for the second instalment of the contributions which the Member States were required to pay into the 3rd and 4th European Development Funds for the financial year 1977.

By the same Decision the Council also laid down the schedule of calls for contributions from the Member States for the 3rd EDF (20 million EUA) and 4th EDF (400 million EUA) for the financial year 1979.

277. Lastly, on 30 October 1978 the Council adopted Decisions giving a discharge to the Commission in respect of the implementation of operations under the 1st, 2nd and 3rd EDFs for the financial year 1978. Under the new discharge procedure, the Council also adopted a Recommendation on the discharge to be given to the Commission in respect of implementation of operations under the 4th EDF for the financial year 1977.

*(g) Institutional questions*

278. At its meeting on 13 and 14 March 1978 the ACP-EEC Council of Ministers adopted its annual report (Article 74 (5) of the Convention), which it decided to submit to the ACP-EEC Consultative Assembly as a progress report (Article 80 (4)).

This annual report, which covers the period 1 April 1977 to 28 February 1978, served as a basis for the proceedings of the ACP-EEC Consultative Assembly, which held its annual meeting in Luxembourg from 25 to 29 September 1978. The ACP-EEC Council of Ministers had delegated its President, Mr Tapa (Minister – Tonga), to represent it

at this meeting, which was also attended by Mr von Dohnanyi (Minister – Germany), in his capacity as President-in-Office of the Council of the European Communities, and Mr Cheysson, Member of the Commission.

279. The Joint Committee met in Grenada from 29 May to 3 June 1978. Mrs Østergaard (Minister – Denmark) took part in this meeting as President-in-Office of the Council of the European Communities. The Joint Committee also met jointly with the Consultative Assembly in Luxembourg in September 1978.

280. In the context of administering the Lomé Convention the subsidiary bodies of the ACP-EEC Council of Ministers have held a large number of meetings covering all aspects of the Convention.

#### *(h) Accessions to the Lomé Convention*

281. During 1978 three overseas territories under the jurisdiction of the United Kingdom of Great Britain and Northern Ireland became independent.

282. One of these, namely the Solomon Islands, having deposited its instrument of accession to the Lomé Convention with the Secretariat of the European Communities on 27 September 1978, has been a full party to that Convention since that date.

283. After the requisite approval by the Council of the European Communities and the Council of ACP Ministers, the ACP-EEC Council of Ministers signified its agreement to the accession of Tuvalu and Dominica to the Lomé Convention. These two territories deposited their instruments of accession with the General Secretariat of the Council on 17 January 1979 and 12 February 1979 respectively, thus becoming 'ACP States' from those dates.

## **2. NEGOTIATIONS FOR THE NEW ACP-EEC CONVENTION**

284. On 24 July 1978 the Community and the ACP States formally opened at ministerial level the negotiations for the renewal of the present ACP-EEC Convention, which expires on 1 March 1980. On that occasion speeches were made by:

- the President-in-Office of the Council (Mr Genscher), who expressed the Community's willingness to continue and further strengthen in a new Convention the cooperation begun under the Lomé Convention and indicated features which should, in the Community's view, be embodied in the new Convention;
- the President of the Commission (Mr Jenkins), who emphasized the major importance of the negotiations and the Community's hope that new standards for relations between industrialized countries and countries called 'developing countries' could be progressively worked out;
- the President-in-Office of the Council of ACP Ministers (Mr Patterson), who, after stressing the unity of the ACP Group of States, stated that the main objective of the negotiations was to try, through a new Convention for the 1980s, to make a significant step forward in the progressive development of ACP economic relations with the Community.

285. At its meeting on 26 and 27 June 1978 the Council of the Communities adopted directives instructing the Commission to negotiate the new Convention. Additions were made to these directives on 20 July, 20–21 November and 19 December 1978.

On the basis of these directives the Commission, in consultation with the representatives of the Member States, held many meetings with the ACP States between 18 September and 6 December 1978 either in negotiating groups on the various aspects of the new Convention or in plenary negotiation meetings.

286. On 21 December 1978 an ACP-EEC Ministerial Conference was held in Brussels. On the basis of the discussions of various ministerial working parties the Conference took stock of the negotiations and, with a view to providing them with fresh impetus, defined the guidelines which the ACP and EEC negotiators should follow in their further discussions.

### **3. ASSOCIATED OVERSEAS COUNTRIES AND TERRITORIES**

287. On 16 July 1978, 10 October 1978 and 20 November 1978 the Council took three decisions relating to the provisional application of



the Solomon Islands, Tuvalu and Dominica respectively, after their independence, of the arrangements laid down in Decision 76/568/EEC on the association of the OCT, so that those countries could continue to enjoy those arrangements pending their accession to the Lomé Convention.

On 30 May 1978, as a result of the accession to the Lomé Convention of the Republic of Jibuti (former French territory of Afars and Issas, which became independent on 27 June 1977), the Council adjusted Decision 76/568/EEC on the association of the OCT, in particular reducing the total amount of Community aid to 126 million EUA, and decided on the (proportional) adjustment of the amounts made available to the EDF (1975) as regards the ACP States on the one hand and the overseas countries and territories on the other.<sup>1</sup>

In the same context the Council also, by decision of 7 February 1978, revised the amounts which the EIB may commit in the form of risk capital for the purpose of applying the Lomé Convention and Decision 76/568/EEC on the association of the OCT.

288. By Decision of 21 December 1977 the Council amended Decision 76/568/EEC on the association of the OCT in order, by analogy with the Lomé Convention, to include new products on the list of products eligible for cover under the system for the stabilization of export earnings.

As regards the stabilization of export earnings from certain commodities from the ACP States and the OCT, the Council also, by Regulation (EEC) No 2478/77 of 27 November 1977,<sup>2</sup> repealed Regulation (EEC) No 158/76 on certain detailed arrangements for applying the system.

289. Furthermore, by Regulations (EEC) No 3013/77 of 20 December 1977<sup>3</sup> and 1198/78 of 30 May 1978,<sup>4</sup> the Council twice amended the Regulation on the arrangements applicable to agricultural products originating in the ACP States or the OCT, in the

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<sup>1</sup> The corresponding Articles of the Internal Agreement were consequently also amended.

<sup>2</sup> OJ L 287 of 11. 11. 1977.

<sup>3</sup> OJ L 355 of 31. 12. 1977.

<sup>4</sup> OJ L 147 of 3. 6. 1978.

first case for reasons of nomenclature, in the second as regards the list of countries and territories.

By Regulation (EEC) No 430/78 of 28 February 1978<sup>1</sup> the Council adopted, for a given period, the arrangements applicable to tomatoes originating in the ACP States or the OCT.

290. On 6 June 1978 the Council adopted Regulation (EEC) No 1228/78 on the opening, allocation and administration of a Community tariff quota for rum, arrack and tafia originating in the OCT.<sup>2</sup>

Lastly, on 24 July 1978 the Council adopted Regulation (EEC) No 1745/78 fixing the guaranteed prices applicable to cane sugar originating in the OCT for 1978/79.<sup>3</sup>

## **D – Relations with the Mediterranean and Euro-Arab Dialogue countries**

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

#### *(a) Entry into force of the Agreements or Protocols concluded under the Community's overall Mediterranean approach*

291. The Financial Protocol signed with Malta in March 1976, the Cooperation Agreements signed with Algeria,<sup>4</sup> Morocco<sup>5</sup> and Tunisia<sup>6</sup> in April 1976, Egypt,<sup>7</sup> Syria<sup>8</sup> and Jordan<sup>9</sup> at the beginning of 1977 and the Lebanon<sup>10</sup> in May 1977, as well as the Additional Protocol and the Financial Protocol signed with Israel<sup>11</sup> in February 1977, entered into

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<sup>1</sup> OJ L 59 of 1. 3. 1978.

<sup>2</sup> OJ L 153 of 9. 6. 1978.

<sup>3</sup> OJ L 203 of 27. 7. 1978.

<sup>4</sup> OJ L 263 of 27. 9. 1978.

<sup>5</sup> OJ L 264 of 27. 9. 1978.

<sup>6</sup> OJ L 265 of 27. 9. 1978.

<sup>7</sup> OJ L 266 of 27. 9. 1978.

<sup>8</sup> OJ L 269 of 27. 9. 1978.

<sup>9</sup> OJ L 268 of 27. 9. 1978.

<sup>10</sup> OJ L 267 of 27. 9. 1978.

<sup>11</sup> OJ L 270 of 27. 9. 1978. For the content of these Protocols see paragraph 292 of this Review.

force on 1 November 1978, following completion of the ratification procedures required for this purpose in the Member States and the other countries concerned. The Additional Protocol signed with Cyprus In September 1977<sup>1</sup> entered into force on 1 June 1978, and the Financial Protocol<sup>2</sup> signed at the same time as the Additional Protocol with Cyprus entered into force on 1 January 1979.

In addition, in the agricultural sector the negotiations begun with Cyprus in December 1977 were completed in April 1978 and the Community and Cyprus signed two Protocols on 11 May 1978. These two Protocols entered into force on 1 July 1978.<sup>3</sup>

*(b) The new Protocols concluded with Cyprus in the field of agricultural trade*

292. The first of the Protocols concluded with Cyprus in the agricultural sphere, entitled 'Supplementary Protocol to the Agreement establishing an Association between the European Economic Community and the Republic of Cyprus' is based on the Community's declaration annexed to the Final Act of the Association Agreement concerning the taking into account of the agricultural interests of Cyprus under the Community's overall Mediterranean approach. It forms an integral part of the Association Agreement and lays down (31 December 1979) trade arrangements in the agricultural sector, up to the end of the first stage of the Agreement, between the European Economic Community and Cyprus.

The second Protocol, entitled 'Protocol laying down certain provisions relating to trade in agricultural products between the European Economic Community and the Republic of Cyprus', lays down for 1978/79 certain measures in favour of Cyprus additional to the first Protocol. These measures are exceptional and degressive, and may not constitute a precedent. They have been specified in order to take account of the very special situation regarding Cyprus.

On the basis of the total agricultural exports from Cyprus to the European Economic Community in 1976, the proportion of agricultural

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<sup>1</sup> OJ L 339 of 28. 12. 1977.

<sup>2</sup> OJ L 332 of 29. 11. 1978.

<sup>3</sup> OJ L 172 of 28. 6. 1978.

For the content of these Protocols see paragraph 292 of this Review.

exports from Cyprus to the Community covered by the two Protocols is 78 %, and, in 1979, in view of the degressive nature of the concessions provided for in this second Protocol, approximately 70 %. There are concessions on the main agricultural products exported from Cyprus, viz. new potatoes, fresh grapes, liqueur wines and table wines, citrus fruit, etc. In general the tariff reductions on fresh vegetables and fresh fruit except citrus fruit are subject to time schedules. In addition, the tariff reductions on new potatoes are linked in these Protocols to the adoption of Community regulations in this sector.

293. Lastly, it will be recalled that in order to avoid applying the 'third country' arrangements to agricultural exports from Cyprus on 1 January 1978, the Council agreed at the end of 1977<sup>1</sup> to grant Cyprus the concessions contained in the negotiating directives which it had adopted on 20 December 1978. These concessions were granted autonomously and applied from 1 January 1978 to 31 March at the latest. On 17 April 1978<sup>2</sup> the Council also decided to grant Cyprus for the period from 1 April to 30 June 1978, autonomously and in anticipation, the concessions contained in the second Protocol negotiated with that country, as well as a Community tariff quota of 25 000 tonnes of early potatoes for the period between 1 April and 15 May.

The above autonomous Regulations did not specify the arrangements for Cyprus sherry. On 29 December 1978 the Council had adopted a Regulation extending to 28 February 1978 the arrangements previously applicable to such sherry.<sup>3</sup>

On two occasions<sup>4</sup> the Council decided to continue these arrangements for two consecutive periods of two months, i.e. from 1 March to 30 April and from 1 May to 30 June.

(c) *Preparations for implementing the Financial Protocols concluded with Mediterranean countries*

294. On 25 July 1978 the Council adopted common guidelines on a draft Regulation implementing the Financial Protocols concluded with

<sup>1</sup> Regulation (EEC) No 3018/77 of 29. 12. 1977, OJ L 355 of 31. 12. 1977.

<sup>2</sup> Regulation (EEC) No 781/78 of 17. 4. 1978, OJ L 106 of 20. 4. 1978.

<sup>3</sup> OJ L 355 of 31. 12. 1977.

<sup>4</sup> Regulation (EEC) No 533/78 of 13. 3. 1978, OJ L 74 of 16. 3. 1978 and Regulation (EEC) No 923/78 of 2. 5. 1978, OJ L 120 of 4. 5. 1978.

the Maghreb countries, the Mashreq countries, Malta and Cyprus. At its meeting on 25–26 September 1978 the Council also adopted common guidelines on a draft Regulation implementing the Financial Protocols with Greece, Turkey and Portugal. All these common guidelines were forwarded to Parliament with a view to any necessary conciliation procedure with that body.

By letter dated 10 November 1978 Parliament noted a divergence of views between Parliament and the Council on the question of the powers of the Committees working with the Commission which were set up under these draft Financial Regulations. However, since a similar problem was being discussed under two other conciliation procedures between Parliament and the Council, viz. the Financial Regulation on regional policy and the Financial Regulation on aid to the non-associated developing countries, Parliament stated that it did not consider it necessary to initiate a further formal conciliation procedure for the Financial Regulations relating to the Mediterranean countries, and that the agreement resulting from the other conciliation procedures in progress could be extended to these Regulations.

Since the conciliation procedures on regional policy and aid to the non-associated developing countries had not been completed by the end of 1978, and in view of the urgent need to implement the Financial Protocols with the Mediterranean countries, the Council agreed to follow a provisional procedure whereby an *ad hoc* Council working party would examine some initial finance projects drawn up by the European Investment Bank and the Commission.

## **2. IMPLEMENTATION OF EXISTING AGREEMENTS WITH MEDITERRANEAN COUNTRIES**

### *(a) Association Agreements*

#### *(i) Greece<sup>1</sup>*

295. Although in 1978 most of the work relating to the Community and Greece concerned the accession negotiations the Association

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<sup>1</sup> On questions relating to the accession negotiations with Greece see paragraph 322 of this Review.

continued its separate existence in accordance with the Athens Agreement. During this period the work of the Council bodies on questions relating to Greece were mainly concerned with two spheres, viz. rules to be adopted internally by the Community for implementing the second Financial Protocol concluded under the EEC-Greece Association<sup>1</sup> and signed on 28 February 1977, and measures which had become necessary following increasing difficulties in several Member States regarding textiles, as a result of increased exports of textile products from Greece.

296. The Contracting Parties having notified one another on 26 July 1978 that the procedures necessary for the ratification or approval of the second Financial Protocol had been completed, the Protocol entered into force, in accordance with Article 13 (2), thereof, on 1 August 1978.<sup>2</sup>

On the basis of a proposal for a Council Regulation implementing the provisions of the Financial Protocols concluded with Greece, Turkey and Portugal, addressed to it by the Commission on 17 March 1978,<sup>3</sup> the Council adopted common guidelines at its meeting of 26 September 1978. These guidelines were passed to Parliament with a view to any necessary conciliation, since they departed from the Opinion delivered on 12 May 1978, regarding the procedure to be followed if drafts presented by the Commission were not approved by the Committee – composed of representatives of the Member States attached to the Commission and responsible for making statements on draft financing decisions presented by that body.

This matter has remained in abeyance, since it is linked to another problem of the same type which still remains to be solved, regarding the procedure for approving finance to help non-associated developing countries.

The Permanent Delegation of Greece to the EEC made a number of representations reminding the Community that the delay in the practical implementation of the EEC-Greece Financial Protocol was having damaging effects on the Greek economy. In December 1978 the Council agreed to follow an *ad hoc* procedure –

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<sup>1</sup> See 25th Review, paragraph 291.

<sup>2</sup> OJ L 225 of 16. 8. 1978.

<sup>3</sup> OJ L 90 of 13. 4. 1978.

pending a solution to the problem which was being considered under the conciliation procedure with Parliament – for approving an initial series of finance projects presented by the Commission and the European Investment Bank under the second EEC-Greece Financial Protocol.

It should be noted that in mid-December 1978, in accordance with the above *ad hoc* procedure the European Investment Bank forwarded documents on an initial series of three projects to be financed from the EIB's own resources. These would enjoy a 3 % per annum interest rebate, from budgetary resources. These projects comprised forestry schemes in eastern Macedonia and Thrace, an energy project and an irrigation project in western Crete.

297. In the textile sector certain Member States of the Community had experienced serious difficulties at the beginning of summer 1978 because of increased exports of certain sensitive textile products from Greece. The Community therefore requested a meeting of the EEC-Greece Association Committee, which was held on 30 June 1978. At this meeting the Community reiterated its view that the explanation for these increased exports lay in the fact that they attracted a number of aid measures which were incompatible with the Athens Agreement. It informed the Greek Delegation that unless Greece took measures within a very short time to restrict these exports it would feel obliged to take steps in respect of two categories of products under Article 55 of the Athens Agreement. The Greek Delegation considered that such measures on the part of the Community would not be justified either legally or economically. Subsequently, in fulfilment of commitments undertaken within the Council on textile policy<sup>1</sup> and at the request of certain Member States, the Commission adopted a number of Regulations introducing measures, preventing imports into the Member States concerned up to the end of 1978 from exceeding the annual levels laid down for these two categories of products in the Regulations. These measures were subsequently confirmed by the Council.

It is important to note that on 19 July 1978 a 'Memorandum of joint action' was negotiated between Greek and Commission representatives, together with representatives of the Member States, on the textile question.

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<sup>1</sup> See paragraph 231 of this Review.

This Memorandum covered 1978, and its main provision was a system of double-checking on exports of certain textile products to the Community. Since both partners showed a cooperative spirit this system functioned satisfactorily, and in addition mutually acceptable solutions were reached on certain problems of a technical nature which arose in the autumn of 1978.

298. Among the other matters dealt with by the EEC-Greece Association mention should be made of the working of the operation of the customs union between the two parties. It should be noted that agreement of principle was reached in October 1978 on solutions to certain problems, such as that of the duties applicable to the Community following conversion by Greece of its specific duties into *ad valorem* duties, and also the problem of the customs tariff applicable to the Dodecanese. This was of particular importance in view of the implications of these questions regarding the determination of basic duties during the accession negotiations. However, at the end of 1978 no date had been fixed for the effective entry into force of the agreed arrangements.

It should also be noted that on 20 December 1978 the Greek Delegation informed the EEC-Greece Association Council that it wanted an extension beyond 31 December 1978 of the provisions of Decision 1/75 on the application of Paragraph 3 of Protocol No 10 annexed to the Athens Agreement. This Protocol gives Greece a say in the Community's tariff policy on five products, viz. tobacco, dried grapes, olives, rosin and spirits of turpentine. The Council bodies began their study of this request.

299. Other matters raised at the four meetings held by the Association Committee in 1978 were concerned with difficulties mentioned by the Greek Delegation regarding some of its agricultural exports to the Community, and consultation of Greece on two Community Regulations on its trade in oils and fats (in particular olive oil) with the EEC. Lastly, it may be noted that the Association Council did not meet in 1978.

300. The EEC-Greece joint Parliamentary Committee held two meetings in 1978, at which the Council was represented by its President. Mrs Lisa Østergaard, Danish Minister without portfolio, attended the meeting in Salonika in May 1978, and Mr Klaus von



Dohnanyi, German Minister of State for Foreign Affairs, at the meeting held in Paris at the end of November 1978. At these meetings they both made statements on behalf of the Council and also spoke in the discussions, in reply to various questions put by the Greek and Community Members of Parliament and to define the Council's position on the two topics which dominated the discussions at these meetings, i.e. matters connected with the accession negotiations and the textile problems which had arisen in 1978.

(ii) Turkey

301. The Council is aware of the importance of the EEC-Turkey Association and at several of its meetings in 1978 it held general discussions on relations between the Community and Turkey. Since the decisions made at the last EEC-Turkey Association Council on 20 December 1976 the Association has made little progress. Both the Community and Turkey have taken certain steps to overcome this difficulty.

In this connection particular mention should be made of the visits made by Mr B. Ecevit, the Turkish Prime Minister, to a number of capitals of the Nine, and also to the Commission, with the aim of exploring the possibilities of relaunching the Association, taking account of developments in the Community since the Additional Protocol was signed in 1970 and also of the extremely serious economic crisis through which Turkey is passing at present. In the last quarter of 1978 a group of senior Turkish officials held conversations with the Commission and submitted practical proposals on trade and on social and financial matters which, in Turkey's opinion, would put the Association back on its feet.

It was agreed in the Council's subordinate bodies that the Commission would make a detailed study of these proposals and present to the Council, if possible by the end of 1978, a communication on the measures to be adopted with a view to developing relations between the EEC and Turkey.

302. Because of the serious economic crisis in Turkey, at the beginning of 1978 the Turkish Government invoked the safeguard clause under Article 60 of the Additional Protocol. By letter of 9 January 1978 the Permanent Delegate of Turkey to the EEC informed the

Association Council that his Government had decided to postpone the third reduction of 10 % in customs duty and taxes having equivalent effect as provided under Article 10 of the Additional Protocol. This reduction was to have been implemented on 1 January 1978 on Turkish imports of Community products on which the tariff is to be dismantled over 12 years. He also informed the Council that the initial stage of bringing the Turkish customs tariff closer to the CCT, which should have been implemented on 1 January 1977, had again been postponed.

On 1 February 1978, the Permanent Delegate of Turkey addressed a second letter to the President of the Association Council to inform him that as from 1 January 1978 the stamp-duty rates had been raised to 22.5 % for the products to which the 12-year tariff dismantling period applied, and to 24 % for the products to which the 22-year period applied.

In view of the difficult situation in this associated State the Council's subordinate bodies adopted a sympathetic attitude towards these measures. While refraining from requesting the consultations provided for under paragraph 4 of Article 60 of the Additional Protocol the Community asked Turkey for more detailed information on this matter.

303. By the end of October 1978 all the Member States of the Community had given notification that the procedures required for the entry into force of the third EEC-Turkey Financial Protocol, which was signed on 12 May 1977,<sup>1</sup> had been completed. The ratification procedures still remained to be completed in Turkey.

304. It will be recalled that at the end of 1977, certain unofficial arrangements were made between the Commission departments and the Turkish representatives regarding Turkish exports of sensitive textile products to the Community in 1978.<sup>2</sup> Nevertheless, the Commission noted that towards the end of summer 1978 Turkish exports of cotton yarn to certain Member States had reached substantial proportions. Therefore, at the request of the United Kingdom and on the basis of Council Regulation (EEC) No 1842/71, it imposed safeguard measures on imports of Turkish cotton yarn into

<sup>1</sup> See 25th Review, paragraph 302.

<sup>2</sup> See 25th Review, paragraph 303, sub-paragraph 2.

the British market for the period between 15 September and 31 December 1978. At the meeting of the EEC-Turkey Association Committee on 18 October 1978 the Turkish Delegation questioned the legal and economic grounds for the safeguard measure, and expressed deep regret that this situation should arise just when a Turkish mission was due to arrive in Brussels with the object of exploring with the Commission the possibilities of relaunching the Association. In reply the Community Delegation stated that there were good legal grounds for the Community measures and drew the attention of the Turkish Delegation to the continuing difficulties in the Community's textile market and also to the fact that the Commission's actions were limited in scope, since they concerned only one Member State, one product and a very short period.

Other work relating to Turkey carried out by the Council bodies in 1978 mainly concerned the Council Regulations to be adopted concerning the system of preferences to be applied to Turkey in 1979 under the provisions of the Agreement and in order to honour the commitment made by the Council in 1973 not to give Turkish products less favourable treatment than products imported from the countries which enjoy Community generalized preferences. These Regulations concerned apricot pulp, nuts, the three textile products listed in Annex No 2 to the Additional Protocol, certain petroleum products and a number of agricultural products. It may also be noted that the Community's offer of a reduction of 30 % of the CCT on Turkish tomato concentrates – in accordance with Decision 1/77 of 17 May 1977, of 7 March 1978 – in exchange for a ceiling of 8 600 tonnes per annum to be imposed by Turkey, was not accepted by the Turkish Delegation, which considered this quantity much too small.

305. As regards the Association bodies, in 1978, as in 1977, the Association Council did not meet. The Association Committee held two meetings at Counsellor level.

The EEC-Turkey Joint Parliamentary Committee, which had not met since November 1976, held one meeting in London at the end of October 1978. Its discussions were mainly concerned with the Turkish proposals to resume association relations and the Community's actions in the cotton yarn sector. The Council of the European Communities was represented at this meeting by Mr Klaus von

Dohnanyi, German Minister of State for Foreign Affairs, who took part in the parliamentary discussions and particularly stressed that Turkey occupied an important place in the Community's external relations.

(iii) Malta

306. On 14 July 1978 the EEC-Malta Association Council adopted a decision specifying guidelines for cooperation between the European Economic Community and Malta.

This decision lays down the objectives which are to be regarded as general policy lines on cooperation between the European Economic Community and Malta. It lists the principles which should serve as a basis for practical, technical and financial cooperation as provided for by the Financial Protocol between the Community and Malta, which entered into force on 1 December 1978.<sup>1</sup>

307. In addition, during 1978 the Council bodies examined a series of requests from the Maltese Government concerning trade and financial cooperation. The main aim of these requests was to obtain from the Community an increase of the amount of financial aid provided for by the Financial Protocol and also an extension of the concession granted by the Community for certain beef and veal preserves originating in Malta, which expired on 30 June 1978. Although efforts were made to accede to these requests the Community did not find it possible to do so. In addition difficulties arose in the textiles sector.<sup>2</sup>

During 1978 the Council bodies continued to study intensively all aspects of relations between the Community and Malta with a view to finding appropriate ways of improvement.

308. In addition, at the end of 1978 the Council adopted Regulations implementing the Association Agreement for 1979.<sup>3</sup> It also adopted a Regulation totally or partially suspending CCT duties for 1979 on certain agricultural products originating in Malta.<sup>4</sup>

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<sup>1</sup> See paragraph 291 of this Review.

<sup>2</sup> See paragraph 231 of this Review.

<sup>3</sup> OJ L 343 of 8. 12. 1978.

<sup>4</sup> OJ L 373 of 30. 12. 1978.

(b) *The other Mediterranean Agreements*

(i) The Maghreb countries

— EEC-Tunisia Cooperation Council

309. The first meeting of the EEC-Tunisia Cooperation Council was held at ministerial level on 12 December 1978, only a few weeks after the Agreement entered into force. At this first meeting the Cooperation Council reviewed progress on the preparatory work for implementing the provisions of the Agreement of financial and technical cooperation, it took certain decisions, mainly regarding procedure, on the important matter of implementing economic cooperation, and it also held a discussion on implementing other provisions of the agreement, relating in particular to labour and to the consultations provided for in the event of enlargement of the Community.

Lastly, in the sphere of trade cooperation,<sup>1</sup> the first meeting of the Cooperation Council reviewed the way in which trade relations between the Community and Tunisia had developed generally, and it held a discussion after Tunisia had voiced its concern, on the prospects of exporting certain Tunisian products to the Community.

310. In addition, to administer the Cooperation Agreements with the Maghreb countries the Council adopted a number of Regulations implementing these Agreements for 1979 and, as in the previous year, concluded a number of agreements in the form of exchanges of letters with the Maghreb countries on the procedures for applying the concessions contained in the agreements regarding certain agricultural products, including processed products, viz. fruit salads, and olive oil originating in three of the Maghreb countries, tomato concentrates originating in Algeria, and classified wines originating in Tunisia.

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

311. Preparatory work on implementing the Cooperation Agreements with the Arab Republic of Egypt, Jordan, Syria and the Lebanon continued during 1978. In January 1978 the appropriate bodies of the

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<sup>1</sup> The trade provisions of the Cooperation Agreement entered into force in anticipation on 1 July 1976 under an Interim Agreement.

Council completed the preparation of some suggestions from the Community on possible guidelines for cooperation between the Community and the four countries concerned. These suggestions were addressed by the Commission to these countries, and a final reply from them is still awaited.

In addition, concerning relations with various Mediterranean countries, suggestions were prepared within the Community for guidelines on the possibilities of cooperation in the agricultural and rural development sectors, sea fishing and freshwater fishing.

312. Pending the entry into force of the agreements on products covered by the ECSC Treaty, the representatives of the Member States and the ECSC, meeting within the Council, adopted a Decision on 26 June 1978 extending to 30 June 1979 at the latest the validity of the autonomous measures for opening tariff preferences on products covered by the ECSC Treaty and originating in these countries.

313. In addition, to administer the Cooperation Agreements, the Council adopted a Regulation implementing these agreements for 1979 establishing ceilings and strict supervision for certain industrial products originating in these countries.<sup>1</sup>

### (iii) Spain

314. It will be recalled that the Community Delegation and the Spanish Delegation agreed in 1977 to resume as early as possible the negotiations which they had begun that year with a view to enlarging the bases of the 1970 Agreement. To this end, on 20 December 1977 the Council gave the Commission negotiating guidelines.<sup>2</sup>

Negotiations between the Community and Spain were resumed in Brussels on 8 February 1978. At the end of this meeting it was seen that the positions of the parties differed considerably. It was therefore agreed that the Commission would liaise with the Spanish authorities in order to clarify the Spanish position still further.

315. Since it was impossible to reach a solution the Community concentrated its efforts in the latter months of 1978 on the difficulties

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<sup>1</sup> OJ L 343 of 8. 12. 1978.

<sup>2</sup> See 25th Review, paragraph 272.

which had arisen in implementing the 1970 Agreement. In this connection it was planned to request a meeting of the EEC-Spain Joint Committee at the beginning of 1979 with a view to examining these difficulties and resolving them.

316. In addition, following its practice every year, at the end of 1978 the Council adopted a number of Regulations implementing the 1970 Agreement for 1979.<sup>1</sup>

(iv) Israel

317. The EEC-Israel Joint Commission set up under the 1975 Agreement held its third meeting in Brussels on 13 July 1978. At this meeting the Joint Commission adopted a decision amending the protocol relating to the definition of the concept of originating products and to administrative methods, and it also adopted a recommendation on cooperation in the agriculture and fisheries sector. The aim of this recommendation is to identify fields where cooperation is feasible and to suggest means of carrying out joint projects in this sector.

In addition the two Delegations discussed the operation of the Agreement in trade matters, and reviewed progress on scientific and industrial cooperation.

318. This meeting of the EEC-Israel Joint Commission was followed by the first meeting at ministerial level of the EEC-Israel Cooperation Council in Brussels on 22 December 1978. The Chairman at this meeting was Mr H. D. Genscher, President-in-Office of the Council of the Communities, and the head of the Israeli Delegation was Mr Moshe Dayan, Israeli Minister for Foreign Affairs. This meeting was the first tangible result of the Additional Protocol and the Financial Protocol which both entered into force on 1 November 1978. These Protocols provided for a strengthening of the institutions set up under the 1975 Agreement, the EEC-Israel Joint Commission being replaced by a Cooperation Council.

During this meeting the two Delegations reexamined how the Agreement was working in practice with regard to both trade matters and economic and financial cooperation. The Cooperation Council also held a discussion on the concern expressed by the Israeli Delegation

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<sup>1</sup> OJ L 343 of 8. 12. 1978 and OJ L 368 of 28. 12. 1978.

regarding the repercussions of enlargement of the European Communities on future cooperation between Israel and the Community.

On each of the points discussed the Cooperation Council reached conclusions basically concerning the procedure for continuing work in the various spheres in question.<sup>1</sup>

319. The Israeli Delegation made a formal request for the implementation of Article 22 of the Agreement regarding the review as from 1 January 1978 of the results of this Agreement and any improvements which might be made by either side as from 1 January 1979.

This procedure began with exploratory conversations which were held between the Commission and Israel in September 1978.

The Commission then addressed a communication to the Council at the end of November 1978. This communication is being examined by the Council's bodies.

320. In addition, during 1978 the Council resumed on several occasions its examination of the matter of the tariff arrangements to be applied to certain citrus fruits originating in Israel and also to those originating in the Arab Republic of Egypt, Jordan and the Lebanon, and in Turkey. At its meeting on 22 December 1978<sup>2</sup> the EEC-Israel Cooperation Council noted that, in spite of the real efforts which had been made, the Community had found it impossible at that time to make a specific proposal on this matter. The Cooperation Council also noted the importance which the Israeli Delegation attached to finding a solution to this problem which would be satisfactory to the parties concerned.

321. Lastly, at the end of December, the Council adopted certain Regulations implementing the Agreement between the Community and Israel.<sup>3</sup> However, the Council still has to continue, at the beginning of 1979, its examination of the procedures for implementing the concession contained in the Agreement regarding fruit salads originating in Israel.

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<sup>1</sup> For more details see the joint press release issued at the end of the Cooperation Council's meeting (Doc. CEE-ISR 5/78).

<sup>2</sup> See paragraph 318, second subparagraph, of this Review.

<sup>3</sup> OJ L 343 of 8. 12. 1978.



### 3. ACCESSION NEGOTIATIONS WITH GREECE, PORTUGAL AND SPAIN

#### (a) *Greece*

322. During 1978 negotiations for Greece's accession to the Communities were conducted with great vigour. The Conference held 15 meetings, 4 at ministerial level and 11 at deputy ministerial level.

Following the large amount of work done on preparation and clarification during the previous year the negotiations proper began in February 1978. They continued throughout the year with the aim of specifying, sector by sector, the transitional measures and temporary waivers which might be considered necessary by both sides for Greece's adoption of the *acquis communautaire*. Basic principles were therefore discussed in relation to the following spheres: customs union in the industrial sector, external relations, capital movements, ECSC, Euratom, economic and financial questions, State aids and regional policy, institutional matters and own resources. Full agreement has already been reached on certain of these matters, subject of course to final overall agreement. The technical amendments to be made to instruments of secondary Community legislation because of Greece's accession were defined in several sectors.

At the end of 1978, at its meeting of 20 December, the Conference dealt with some important matters concerning the following major points under discussion: length of the transitional period, agriculture, social policy and the safeguard clause.

At the end of this meeting, since overall agreement on these questions had been reached, the Conference noted that the objective which the negotiators had set themselves, i.e. to complete negotiations of the essential points by the end of 1978, had been achieved.

#### (b) *Portugal*

323. It will be recalled that on 28 March 1977 the Prime Minister of the Portuguese Republic submitted to the President of the Council of the European Communities Portugal's application to accede to the European Coal and Steel Community, the European Economic Community and the European Atomic Energy Community.

The next month the Council agreed to ask the Commission to draw up an opinion on the Portuguese application. This opinion was transmitted to the Council by the Commission on 19 May 1978.

At its session in Luxembourg on 6 June 1978 the Council took note of the Commission's opinion on the Portuguese application for accession and declared itself in favour of this application. The Council also agreed that the preparatory work necessary to the drawing up of a common negotiating position for the Community should begin as soon as possible.

Negotiations with Portugal at ministerial level opened formally in Luxembourg on 17 October 1978.

The first session at deputy level took place in Brussels on 1 December 1978. At this session agreement was reached on the procedure for the negotiations, including the probable frequency of sessions at the ministerial and deputy level.

(c) *Spain*

324. At its meeting of 19–20 September 1977, the Council had requested the Commission to deliver its opinion on Spain's application to become a member of the three European Communities. On 29 November 1978 the Commission addressed this opinion to the Council.<sup>1</sup>

At its meeting of 19 December 1978 the Council took note of the Commission's opinion and decided in favour of Spain's application.

It also confirmed that negotiations would open in February 1979 and would begin effectively as soon as preparatory work within the Community has arrived at a common basis for negotiation, i.e. probably towards September 1979.

#### **4. EURO-ARAB DIALOGUE**

325. During the first half of 1978 the European side began a review of the future objectives of the Dialogue. Work on the Euro-Arab Dialogue intensified in the second half of 1978 once the date and place of the

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<sup>1</sup> See 25th Review, paragraph 272.

fourth meeting of the General Committee had been fixed. With this meeting in mind some basic guidelines were laid down by the Council for the European party with a view to its active participation.

In this connection stress was laid in a general way on the importance which the European party attached to the Euro-Arab Dialogue and its readiness to make more use of this instrument to increase economic cooperation between the Community with its Member States and the Arab world, bearing in mind particularly the interdependence and complementary nature of the economic interests of the two areas. It was also stated that the European party was prepared to use the Dialogue to explore means of developing a lasting relationship as a basis for extensive long-term cooperation. To this end the European party proposed a more detailed definition of the economic objectives which could be pursued in the context of the Euro-Arab Dialogue. This Dialogue should occupy an important place among other initiatives of a regional nature undertaken by the Community and its Member States in consideration of the geographical/political context and the economic interests involved.

In addition the Council's bodies laid down specific guidelines for the fourth meeting of the General Committee regarding certain spheres of economic and social cooperation, i.e. trade, transfer of technology, promotion and protection of investments and vocational training. At its meeting of 27 November 1978 the Council also approved a list of 10 new study/action projects and the sum to be contributed by the European party towards financing these.

326. The fourth meeting of the General Committee of the Dialogue was held at ambassador level in Damascus on 9–11 December 1978.

In the field of economic and social cooperation this meeting made considerable progress on transfer of technology, trade cooperation and manpower.<sup>1</sup>

The General Committee:

— noted its agreement of principle to the establishment of a Euro-Arab Centre for the transfer of technology;

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<sup>1</sup> See final communiqué issued after this meeting.

- stressed the urgency of examining all aspects of the question of establishing special institutional links between the two parties in the sphere of trade cooperation particularly in the form of a convention;
- adopted the declaration on the principles governing the living and working conditions of migrant workers from the two regions;
- underlined the importance for all working committees to lay particular emphasis on vocational training, since this was a problem of major importance to all the Arab countries;
- requested the Financial Cooperation Working Committee to intensify its work on the text of a draft multilateral convention to promote and protect investments;
- approved a second series of 10 study/action projects plus an addition for the Hamburg Symposium on the two civilizations and the proportions of the Arab and European contributions to the financing of these activities;
- emphasized the importance of the role which the private sector could play in the context of the Dialogue.

## 5. YUGOSLAVIA

327. On 17 January 1978 the Council adopted negotiating guidelines with a view to the conclusion of a new agreement with Yugoslavia, in the spirit of the Belgrade Joint Statement of 2 November 1976. This would replace the non-preferential trade Agreement of 1973, which was due to expire on 31 August 1978.<sup>1</sup>

328. On the basis of these guidelines two negotiating sessions were held on 13 February and 11 April 1978, at which the Yugoslav Delegation defined the scope of its desiderata in the various fields.

The Community spokesman noted that these desiderata exceeded the guidelines which he had received from the Council.

329. The Council was informed by the Commission of the progress of the negotiations. It reaffirmed the importance which the Community

<sup>1</sup> Since then this Agreement has been tacitly renewed under its Article IX until the entry into force of the new Agreement.

attached to its future relations with Yugoslavia and agreed to adopt additional negotiating guidelines as soon as possible.

Following exploratory contacts with the Yugoslav authorities the Commission informed the Council at its meeting of 25 July 1978 of the aims and options on which it intended to base the additional guidelines which it proposed to recommend to the Council as from September with a view to continuing negotiations.

This recommendation was addressed to the Council at the beginning of October 1978. At its meeting of 16-17 October 1978 the Council asked the Permanent Representatives Committee to intensify its work so that it could submit draft additional negotiating guidelines for adoption, in November if possible, with a view to concluding the new Agreement with Yugoslavia.

At its meeting of 20-21 November 1978 the Council studied the main questions arising in connection with this project and formulated policy lines on this matter. At its meeting of 18-19 December 1978 the Council noted that work on the additional negotiating guidelines was at an advanced stage and asked the Permanent Representatives Committee to complete the text of these so that it could be passed to the Council as soon as possible at the beginning of 1979.

## **E – Relations with other third countries**

### **1. INDUSTRIALIZED COUNTRIES<sup>1</sup>**

#### *(a) Member countries and associates of EFTA*

##### *(i) Free trade*

330. On 27 July 1978 the Council took note of a communication from the Commission on cooperation with the member countries and associates of EFTA and agreed on the utility of improvement and perfection of the operation of the agreements in all areas where this would be deemed useful. The Council agreed that where additional cooperation beyond the Free-Trade Agreement was regarded as desirable by both sides, the Community was prepared to undertake such cooperation in the mutual interest of the parties concerned. On 18 December the Council approved a report from the Permanent

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<sup>1</sup> See also paragraph 220 *et seq.* of this Review.

Representatives Committee on the development of cooperation with the EFTA countries. The Council laid down certain initial working guidelines in this matter and interested countries to continue its examination of this dossier according to these guidelines and to report to it before the end of June 1979.

(ii) Portugal

331. In September the Council adopted a Regulation concluding a Financial Protocol and an Additional Protocol to the Agreement between the EEC and Portugal.<sup>1</sup> These Protocols entered into force on 1 November 1978.

332. In October the Community concluded an Agreement in the form of an exchange of letters with Portugal concerning conditions for the importation of prepared and preserved sardines into the Community.<sup>2</sup>

333. At the same time the Council adopted a Regulation on the opening, allocation and administration of tariff quotas for certain types of paper and paperboard originating in Portugal.<sup>3</sup>

334. In December the Community concluded an agreement in the form of an exchange of letters concerning the importation into the Community of prepared or preserved tomatoes originating in Portugal.<sup>4</sup>

335. In the same month the Council opened, allocated and for the administration of a Community tariff quota for certain wines originating in Portugal.<sup>5</sup>

(iii) Meetings of EEC/EFTA Joint Committees

336. The Joint Committees provided for by the Agreements met twice<sup>6</sup> in 1978 to examine how the Agreements were operating. The Council adopted the joint position of the Community and thus enabled

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<sup>1</sup> Regulation (EEC) No 2237/78 of 26. 9. 1978, OJ L 274 of 29. 9. 1978.

<sup>2</sup> Regulation (EEC) No 2607/78 of 30. 10. 1978, OJ L 315 of 9. 11. 1978.

<sup>3</sup> Regulation (EEC) No 2608/78 of 30. 10. 1978, OJ L 315 of 9. 11. 1978.

<sup>4</sup> Regulation (EEC) No 2882/78 of 5. 12. 1978, OJ L 344 of 8. 12. 1978.

<sup>5</sup> Regulations (EEC) Nos 3081/78, 3082/78 and 3083/78 of 18 December 1978, OJ L 368 of 28. 12. 1978.

<sup>6</sup> With the exception of the EEC/Portugal Joint Committee.

the Joint Committee to take decisions in accordance with the Agreements.

Subsequently, the Council adopted regulations applying decisions of the Joint Committees by which the amounts expressed in units of account for the determination of originating products were replaced by amounts expressed in European units of account.<sup>1</sup>

(iv) EEC/Austria EEC/Switzerland 'Community Transit Joint Committees'

337. The Joint Committees provided for by the EEC/Austria and EEC/Switzerland Agreements met in 1978 and took a certain number of decisions amending the appendices to the Agreements with Switzerland and Austria and simplifying the Movement Certificate used in trade between the EEC and Turkey when goods are forwarded from Austria.<sup>2</sup>

(v) Trilateral Agreement between the Community, Switzerland and Austria

338. The procedures necessary for the entry into force of the Agreement between the EEC, Switzerland and Austria on the extension of the application of the rules on Community transit having been completed, the Agreement entered into force on 1 March 1978 in accordance with Article 5 thereof.

(vi) Administration of the EEC/EFTA and ECSC/EFTA Agreements

339. In April the Community concluded an Agreement in the form of an exchange of letters with Switzerland replacing nine zero duty quotas which the United Kingdom was entitled to open in respect of Switzerland with one single quota.<sup>3</sup>

340. On 6 August the Community concluded an Agreement in the form of an exchange of letters with Sweden rectifying certain errors in Protocol No 1 of the Agreement.<sup>4</sup>

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<sup>1</sup> Awaiting publication.

<sup>2</sup> OJ L 174 of 29. 6. 1978 and L 276 of 30. 9. 1978.

<sup>3</sup> Regulation (EEC) No 850/78 of 24. 4. 1978, OJ L 116 of 28. 4. 1978.

<sup>4</sup> Regulation (EEC) No 1814/78 of 25. 7. 1978, OJ L 210 of 1. 8. 1978.

341. In September the Community concluded a series of Agreements in the form of exchanges of letters with all the EFTA countries for the purpose of making detailed adjustments to the tariff specifications in the Agreements and giving the Joint Committee power in the future to adapt the tariff nomenclature of the products mentioned in the Agreements.<sup>1</sup>

342. In April the Council established indicative ceilings and Community supervision for imports of certain sensitive products originating in the EFTA countries for 1978 and the Representatives of the Governments of the Member States of the European Coal and Steel Community meeting within the Council took a decision establishing supervision for imports of certain steel products originating in Austria and Sweden for 1978.

In December similar Regulations and Decisions were adopted concerning imports in 1979. On the occasion of the adoption in December of the Regulations for 1979 the Council agreed on a procedure for internal consultations which should take place prior to the reintroduction of duties.<sup>2</sup>

*(b) Non-European industrialized countries*

343. The Council was kept regularly informed by the Commission of its consultations with the main non-European industrialized trading partners – the United States, Japan, Canada, Australia and New Zealand. These consultations concern all the problems of mutual interest as well as the specific problems which arise in bilateral relations.

344. With regard to Japan the serious problems raised by the Community's increasing trade deficit with this country since 1973 (1973 deficit: USD 1300 million; 1977 deficit: USD 5100 million) continued to colour relations between the EEC and Japan during 1978.

In view of this serious situation, at its meeting on 7 February 1978 the Council adopted a common strategy for the dialogue to be

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<sup>1</sup> Regulations (EEC) Nos 2451/78 to 2456/78 of 19. 9. 1978, OJ L 302 of 28. 10. 1978 and L 303 of 28. 10. 1978.

<sup>2</sup> Awaiting publication.



conducted by the Community Institutions with the Japanese Government, which would also guide the Member States in their contacts with Japan. At this meeting the Council emphasized that it was essential to take a number of steps to bring about a major turnaround in Japan's balance of trade and payments surplus, comprising macroeconomic measures and also specific and immediate measures to open up the Japanese market effectively.

Following the adoption of this position, which reflected the Council's growing concern, a meeting was held in Tokyo on 22-24 March 1978 between the Commission and the Japanese Government which resulted in the adoption of a joint EEC/Japan statement. In this connection, at its meeting on 7-8 April 1978 in Copenhagen the European Council agreed that the EEC/Japan joint communiqué of 24 March could be regarded only as an initial stage of the current consultations which should be actively pursued with the Japanese Government on the basis of the guidelines laid down by the Council in February 1978.

Since that time the Council has been kept regularly informed by the Commission of progress in relations between the EEC and Japan. Lastly, at its meeting on 18-19 December 1978 the Council made an initial review of progress in the implementation of the measures previously announced by the Japanese Government. The Council concurred with the conclusions of the Commission's report following high-level consultations between the Commission and Japan on 7-9 December 1978, and expressed grave concern at the limited progress made towards the Community's main aim. The Council accordingly approved a number of guidelines and requested the Commission to contact the new Japanese Government in order to transmit these conclusions.

345. With regard to Australia, at its meeting on 6 June 1978 the Council discussed trade relations between the EEC and Australia, with a view to high-level consultations between the Commission and Australia.

At this meeting the Council confirmed the importance which it attached to the development of good relations with Australia, and requested the Commission to conduct these consultations with as much goodwill as possible and to report back on the outcome of the discussions.

## 2. LATIN-AMERICA

346. Relations between the Community and the Latin-American countries continue to develop through two sets of channels – i.e. in the context of the bilateral agreements concluded with four countries and also through the dialogue procedure between the Community and the Latin-American group of countries.

With reference to the latter, two sessions were held at ambassadorial level in Brussels on 29 June and 12 December 1978. In keeping with the decision taken last year, the Joint Working Party of Experts on Trade Questions has been pursuing its task of reviewing the pattern of trade between the two areas and has been invited to submit its report to the next session of the dialogue.

## 3. ASIA

### (a) *Indian sub-continent*

347. Relations between the Community and four countries of the Indian sub-continent (India, Pakistan, Bangladesh and Sri Lanka) continue to develop through the mechanisms set up under the bilateral agreements in force.

### (b) *ASEAN*

348. The process of strengthening the links between the Community and the ASEAN countries, after the institution in 1977 of a dialogue at ambassador level,<sup>1</sup> reached a further milestone when an important conference at ministerial level was held in Brussels on 20 and 21 November 1978.

This conference was attended by the Ministers for Foreign Affairs from the ASEAN countries and the Community, as well as the President of the Commission and the Vice-President responsible for external relations. It was chaired by Mr H. D. Genscher, President-in-Office of the Council, on behalf of the Community, and by Mr Mochtar Kusumaatmadja, Indonesian Minister for Foreign Affairs on behalf of ASEAN. Its object was to strengthen and intensify

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<sup>1</sup> See 25th Review, paragraph 335.

cooperation between the Community and the ASEAN countries, in the interests of both parties.

At the end of the Conference a Joint Declaration was adopted and issued. This gives details of the conclusions, which covered the full range of political, economic and cultural matters and in particular international economic relations, regional integration and cooperation, trade, commodities, investments, transfer of technology, scientific training and cooperation, development cooperation and the framework of future cooperation between the EEC and the ASEAN countries. With regard to this last point, the Conference agreed that exploratory conversations between the parties on the content of a possible cooperation agreement between the Community and the ASEAN countries would begin soon. In fact the Commission began these exploratory conversations before the end of 1978.

#### 4. STATE-TRADING COUNTRIES<sup>1</sup>

##### (a) *China*

349. Negotiations with China, which had begun officially on 22 December 1977, culminated in a Trade Agreement which was signed on 3 April 1978 and entered into force on 1 June 1978. This is the first Agreement of its kind concluded with a State-trading country, and it sets out the framework for trade relations between the contracting parties. In particular it provides for 'most favoured nation' treatment on either side, and there are provisions relating to the balance of trade between the two parties. The agreement contains a clause on amicable consultations, and it also provides for the establishment of a Joint Committee. It should be noted that the Community has undertaken to move towards an increasing degree of liberalization regarding trade in Chinese imports, and that China has undertaken to give favourable consideration to imports from the EEC.

In implementation of the undertaking contained in the agreement, on 10 October 1978 the Council adopted a Regulation specifying the common arrangements applicable to liberalized products from China which extends the common list of liberalized products applicable to that country.<sup>1</sup>

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<sup>1</sup> See also paragraph 221 of this Review.

(b) *Relations with Comecon*

350. Negotiations with Comecon continued in July 1978 in the form of a meeting of experts, and at the end of November 1978 in the form of a meeting between Vice-President Haferkamp, representing the Community, and Mr Faddeev, the Executive Secretary of Comecon.

After this latter meeting the Commission presented an overall compromise proposal to the other party on its own initiative, with a view to seeking an agreement which would accommodate the main aims of each party. At this stage the Comecon spokesmen were not in a position to accept this compromise proposal, but undertook to refer back to the appropriate bodies. The two parties agreed to remain in contact with each other.

(c) *Outcome of the Conference on Security and Cooperation in Europe (CSCE)*

(i) The Belgrade Conference

351. The Belgrade Conference, which met to review the implementation of the Final Act of Helsinki, had opened in October 1977, and continued into the early months of 1978. It ended on 9 March 1978 with the adoption by consensus of a 'Concluding Document'.<sup>1</sup>

During this Conference the representatives of the Member States and of the Commission mostly adopted the same attitudes on the aspects of the subjects discussed which concerned the Community. The Community's attitudes were expressed during the discussions by the Commission's representative in conjunction with the representative of Denmark, which was holding the Presidency of the Council.

(ii) The Valletta Conference

352. The Belgrade Conference had decided that a meeting would be held in Valletta in February 1979 on the subject of cooperation among the Mediterranean countries.

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<sup>1</sup> See 25th Review, paragraph 338.

In view of the important part which the Community plays in the Mediterranean area the Council carried out some work to prepare for the Valletta discussions with a view to defining the attitude to be adopted by the Nine on matters of concern to the Community. The conclusions of the Community bodies on this matter were brought to the attention of the political cooperation bodies which have a particular responsibility for these matters.

(d) *ECE*

353. At its meeting of 4 April 1978 the Council laid down guidelines on the position to be adopted by the Community at the 33rd meeting of the Economic Commission for Europe which was held on 11-28 April 1978. This meeting was mainly concerned with the problems surrounding the Soviet Union's proposals to organize pan-European conferences on the environment, energy and transport.

The Community's attitude had a great influence on the outcome of the 33rd meeting, which was in line with the Community's objectives to a very great extent.

On the environment, the Economic Commission for Europe adopted a resolution under which preparatory studies would be undertaken in certain specific spheres regarding the environment, so that on the basis of the progress made with this preparatory work the 34th meeting could decide on the convocation of a high-level meeting under the ECE's auspices. During 1978 the Community played an active part in this preparatory work.

On energy the Community had proposed the establishment of a new main body which would be responsible largely for encouraging the exchange of information in this sphere. The Economic Commission for Europe referred all decisions regarding the establishment and terms of reference of a new body to its 34th meeting.

No decision was taken regarding transport, since the Economic Commission for Europe confined itself to further discussion of the Soviet proposals on this subject.

Work is being done within the Council, and guidelines will be adopted in the near future, with a view to defining the Community's attitude during the discussions at the 34th meeting of the ECE.

## **F – Fisheries policy (external aspects)**

354. In 1978 the Community continued to pursue its policy of ensuring, by appropriate Community agreements, that Community fishermen obtained fishing rights in the waters of third countries and that existing rights were retained.

Regular reports of progress in this field were made to the Council by the Commission.

355. A Framework Agreement was negotiated with Norway and initialled by the Community and Norwegian Delegations. An Agreement with Spain was also negotiated. An Agreement with Canada of one year's duration was negotiated and initialled. Progress was made in negotiations with Finland.

Because of the close interdependence that was felt to exist between arrangements with third countries and substantial progress in the setting up of a definitive régime on the internal level, the Council was not able in 1978 to sign the Agreements with Norway, Canada or Spain, nor to conclude the Agreements with the Faroe Islands or Sweden.

356. In order to ensure that there was no break in the fishing activities of Community fishermen, consultations were held, in addition to the abovementioned negotiations, and practical arrangements were agreed with Canada, the Faroe Islands, Norway, Spain and Sweden which allowed Community fishermen to continue to fish in the waters of those countries. At the same time, the Council adopted a series of Decisions and Regulations which allowed the third countries concerned to continue to fish at an appropriate level in Community waters. The Council also adopted Regulations allowing several third countries<sup>1</sup> to fish in Community waters off the coast of the French department of Guyana.

Following these consultations, Regulations were adopted allocating among Member States the quotas of fish obtained in the waters of third countries.

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<sup>1</sup> Barbados, Guyana, Japan, Korea, Surinam, Trinidad and Tobago and the United States of America.

357. Pending negotiation of a Framework Agreement between Yugoslavia and the Community on fisheries, the Council, in order to avoid harming the interests of Community fishermen, authorized Italy to agree with Yugoslavia upon the provisional maintenance throughout 1978 of fishing arrangements laid down in a Fishing Agreement between Italy and Yugoslavia dated 15 June 1973. At the same time it was agreed to reimburse the Italian authorities in respect of the expenditure incurred by them minus reasonable royalties to be paid by the Italian fishermen themselves.

358. Following the adoption of complementary negotiating directives for negotiations with certain ACP countries of West Africa<sup>1</sup> negotiations were opened with Mauritania and a series of exploratory conversations took place with the countries concerned.<sup>2</sup>

359. Apart from the negotiation of bilateral agreements, the Community participated in the work of several multilateral organizations relating to fisheries. This involved work towards the creation of new organizations to succeed those which are no longer adequate following the general extension of fisheries jurisdiction to 200 miles. In the case of the North-West Atlantic Fisheries Organization (the successor to the International Commission for North West Atlantic Fisheries) the Council adopted in December 1978 the Regulation concluding the Agreement setting up the new convention which will enter into operation on 1 January 1979.

The Community was represented actively in the conference that took place to set up a successor organization to the North-East Atlantic Fisheries Commission, but it was not possible in 1978 to reach agreement on the final text of the new convention. Preliminary steps have been taken towards the conclusion of a convention on the conservation of Antarctic marine living resources and to ensure Community membership of this convention.

The Community participated as an observer in an informal meeting in Copenhagen in October 1978 to consider the present International Convention for the Regulation of Whaling and to see whether it might not be changed into a convention for the conservation of all cetaceans.

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<sup>1</sup> Guinea Bissau, Senegal, Mauritania, Cape Verde.

<sup>2</sup> And also with Gabon, Sao Tomé and Príncipe, Guinea (Conakry) and Angola.

In addition the Community participated as an observer in many other international meetings on fishery questions in the framework, among others, of FAO, OECD, ICSEAF and ICCAT.

Finally, the Community participated as an active observer in the 4th session of the International Baltic Sea Fishery Commission which laid down rules for fishing in the Baltic and fixed total allowable catches for certain species for 1979.





## CHAPTER V

### **Agriculture**

#### **A – Problems concerning all the sectors covered by the common agricultural policy**

##### **1. 1978/79 AGRICULTURAL PRICES**

360. In December 1977 the Commission submitted to the Council a set of proposals on fixing prices for most agricultural products for the forthcoming 1978/79 marketing year, accompanied by various related measures. This was an important set of proposals because in addition to prices in the strict sense, and related measures, it included a section entitled 'Mediterranean', representing the initial phase of a reactivated policy in favour of the less-developed regions of the Community. This impressive programme required a protracted and searching dialogue between the Commission and the Council and was finally adopted at a 'marathon' meeting held on 8-12 May 1978.

361. Political considerations and surpluses (milk) ensured that although the application of the objective method would have resulted in an average increase in common prices, expressed in units of account, of approximately 4.2 %, the average increase proposed by the Commission was only 2 %. But this 2 % average increase masked a reduction of 3.59 % in the case of certain products (single intervention price for durum wheat) and an 8 % increase in the intervention price for olive oil.

The compromise reached in the Council hoisted this increase to an average of 2.11 % and thus to near the level originally proposed by

the Commission.<sup>1</sup> It bears witness to the determination of the Community to take particular account on the one hand of the effects of the market and price policy on farmers' incomes and, on the other, of the interests of consumers faced with the economic repercussions of what was in certain cases a high rate of inflation, even if the latter varied from country to country.

362. The prices actually received by farmers also reflected the various changes made in the representative rates for certain currencies and in the monetary compensatory amounts.

After a series of monetary adjustments at the end of 1977 and early in 1978, the Council decided at the close of its meeting in May on a simultaneous adjustment of the representative rates, applicable in part to two marketing years, of + 0.3 % for Germany, - 6 % for Ireland, - 5 % for Italy and - 3.6 % for France.

363. Overall, the compromise on prices, related measures and agri-monetary arrangements served to maintain the basic pattern of the common agricultural policy, albeit with certain exceptions at a national level. On the same occasion, the Council also entered into various commitments or fixed the dates for further discussion of the main outstanding problems, such as wine (postponed until the second half of 1978),<sup>2</sup> milk and starch products.

## **2. REPERCUSSIONS OF THE MONETARY SITUATION ON THE OPERATION OF THE COMMON AGRICULTURAL POLICY**

364. In 1978 the currencies of the Member States of the Community again followed divergent trends in the foreign exchange markets. On the one hand, the upward pressures on the German mark were reflected in October in a 4 % revaluation of that currency, with a parallel 2 % revaluation of the central rates of the three other currencies (the Belgian and Luxembourg francs and the Dutch guilder) which were parties to the joint float agreement. On the other hand, in the category

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<sup>1</sup> For the various decisions on prices and the numerous related measures regarding the products for which there is a common organization of the market see the subchapters entitled 'Drafting of regulations on the common organization of the markets and basic amendments' and 'Management of the common organization of the markets'.

<sup>2</sup> See paragraph 447 of this Review.

of freely floating currencies, the Italian lira followed a slow downward trend which became markedly more pronounced in the course of the final quarter. However, the exchange rates of the pound sterling and the French franc remained relatively stable, the latter having almost recovered from the bout of instability from which it had suffered at the end of 1977.

As a result, and because the Member States were unable for a variety of economic and social reasons, to ensure the total alignment of the conversion rates used for expressing current prices in national currencies (henceforth referred to as 'representative rates') with the rates obtaining in the foreign exchange markets, the agri-monetary system applied since 1971, which provides for the application of monetary compensatory amounts to intra- and extra-Community trade in agricultural products, continued to play an important role in the application of the common agricultural policy.

Several Member States are convinced (although their opinion has yet to be confirmed by detailed investigations on the part of the Commission) that the agri-monetary system which was initially conceived as a strictly temporary mechanism for damping the effects of fluctuations in exchange rates has itself become a cause of strains and major distortions in the common agricultural policy, particularly as far as the exchange aspect is concerned. They attribute these strains and distortions to the apparently permanent role played by this system in sheltering the sector from the normal effects of currency fluctuations by which other sectors of the economy may be affected. However, the Council was unable to reach unanimous agreement on a revised proposal submitted by the Commission for the progressive elimination of the monetary compensatory amounts, over a period of seven years, by the regular and automatic adjustment of the representative rates. The Council nevertheless approved a Declaration under the terms of which it adopted the aim of advancing steadily towards abolition of the existing monetary compensatory amounts, in step with the implementation of a satisfactory price policy and the development of a more stable relationship between the currencies of the Member States of the Community.

To that end, reductions were made in the monetary compensatory amounts on a pragmatic basis by adjusting the representative rates as in earlier years. Following a 2.5 % devaluation

of the representative rate of the French franc, on 1 February 1978 (a decision to that effect having been taken by the Council at the end of 1977),<sup>1</sup> the Council decided at its meeting of 30 and 31 January 1978 to devalue the representative rates of the pound sterling<sup>2</sup> and the Italian lira<sup>3</sup> by 7.5 % and 6 % respectively. At its meeting of 7 March 1978<sup>3</sup> it decided to devalue the representative rate of the French franc by 1.205 %. As in the past, the majority of these adjustments were effected in the framework of the decisions on prices for the 1978/79 marketing year, the representative rate of the German mark having been marginally revalued on that occasion and the rates applicable to France, Ireland and Italy devalued by various amounts.<sup>4</sup>

It should be noted that apart from contributing to the reestablishment of the unity of the agricultural market these adjustments permitted at least partial adjustment of agricultural producers' incomes in the Member States with weak currencies to the trend of production costs in the countries concerned.

Finally, in the context of the European Monetary System and the replacement of the European monetary unit of account by the European unit of account as the accounting unit of the common agricultural policy, the Council examined a proposal from the Commission<sup>5</sup> on the maintenance of the existing levels and pattern of distribution of monetary compensatory amounts and, consequently, of agricultural producers' incomes expressed in national currencies. This proposal, which was submitted to the Council in December 1978, will be further discussed at the beginning of 1979.

### **3. OTHER PROBLEMS CONCERNING ALL THE SECTORS COVERED BY THE COMMON AGRICULTURAL POLICY**

#### *(a) Simplification of agricultural regulations*

365. In accordance with the Resolution of the Council of 23 November 1976<sup>6</sup> the Commission submitted a report on the measures taken to simplify agricultural legislation. This analysed the action so far

<sup>1</sup> Regulation (EEC) No 2840/77, OJ L 328 of 21. 12. 1977.

<sup>2</sup> Regulation (EEC) No 179/78, OJ L 26 of 31. 1. 1978.

<sup>3</sup> Regulation (EEC) No 470/78, OJ L 65 of 8. 3. 1978.

<sup>4</sup> Regulation (EEC) No 976/78, OJ L 125 of 13. 5. 1978.

<sup>5</sup> OJ C 294 of 1. 12. 1978.

<sup>6</sup> See 24th Review, paragraph 273.

taken, identified the outstanding problems in this area and set forth the work programme envisaged by the Commission. Emphasizing the importance of this simplification and fully subscribing to the conclusions drawn by the Commission, the Council took formal note of the report at its meeting of 30 and 31 October 1978.

*(b) Nomenclature of agricultural products*

366. The Commission has forwarded to the Council a proposal regarding the procedure for amending the tariff nomenclature for agricultural products, suggesting in particular that it should authorize the Commission, whenever the technical amendment of the basic agricultural Regulations is rendered necessary by decisions regarding the nomenclature of the CCT, to make use of the Management Committee procedure, with the aim of simplifying the present procedures in the cases in question. This proposal is currently under discussion.

**B – Drafting of regulations on the common organization of markets and basic amendments**

**1. DRAFTING OF NEW BASIC REGULATIONS**

*(a) Potatoes*

367. The competent departments and the Council itself continued their examination of the questions raised by the proposal submitted by the Commission in June 1976 seeking to establish a common organization of the markets in the potatoes sector.<sup>1</sup> But it has not yet proved possible to reconcile the divergent positions of the Member States with regard to various aspects of the organization of that market, including the role to be played by the producer groups, the market support measures to be taken (particularly in the case of early potatoes) and the protection of this product against imports from third countries. These matters are still being discussed.

*(b) Mutton and lamb*

368. On 31 March 1978, the Commission submitted to the Council a proposal for a Regulation on the common organization of the market in

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<sup>1</sup> See 24th Review, paragraph 275.

mutton and lamb on which Parliament and the Economic and Social Committee were consulted.

In the opinion of the Commission, the proposed common organization ought to guarantee the free movement of mutton and lamb while at the same time offering certain measures of support to the producers.

At its meeting on 19 and 20 June 1978, the Council held discussions in the course of which it became clear that for the majority of delegations the proposal submitted by the Commission would not appear to constitute a viable solution to the problems of the main parties concerned.

The Council therefore instructed the competent departments to go ahead with their technical examination of the proposal submitted by the Commission and, to examine the suggestion made by the delegations and to establish a detailed inventory of the various internal and external measures which could be taken into account in the context of the common organization of the market, with a view to the subsequent submission to the Council of a report on the whole question.

On 11 December 1978, in the same context, the Council received a memorandum from the French Delegation stating its position with regard to this question. The memorandum was added to the file.

(c) *Proteins*

(i) Dehydrated fodder

369. On 22 May 1978, after consulting Parliament, the Council adopted the Regulation on the common organization of the market in dried fodder<sup>1</sup> replacing the production aid system for dehydrated fodder introduced by Regulation (EEC) No 1067/74.<sup>2</sup> These new arrangements, which entered into force on 1 July 1978, are intended to increase the Community's protein supplies, and apply to lucerne, sanfoin, clover, lupins and vetches (whether sun-dried or artificially heat-dried), protein concentrates and dehydrated potatoes intended

<sup>1</sup> Regulation (EEC) No 1117/78, OJ L 142 of 30. 5. 1978.

<sup>2</sup> See paragraph 399 of this Review.

for animal feed. The main elements of the common organization of the market are as follows:

- a flat-rate aid, the amount of which is uniform throughout the Community, to be fixed each year before 1 August for the marketing year beginning the following year so as to increase the Community's protein supplies;
- a guide price for products dehydrated by artificial heat-drying, to be fixed at the same time at a level that is fair to the producers;
- a supplementary aid to be granted for products produced from these fodder plants harvested in the Community when the guide price for a marketing year is higher than the average world market price determined on the basis of the most favourable purchasing conditions on the world market and corrected if necessary for the standard quality of products dehydrated by artificial heat-drying. This supplementary aid, which does not apply to dehydrated potatoes, is equal to a percentage to be determined of the difference between these two prices. The percentage is fixed by the Council at the same time as the guide price, using the same procedure. The amount of the supplementary aid is fixed periodically by the Commission.

370. The other provisions of this Regulation are largely inspired by those of Regulation (EEC) No 1067/74. The general rules of the system of aid for dried fodder were adopted by the Council on 19 June 1978.<sup>1</sup>

(ii) Peas and field beans used in the feeding of animals

371. On 22 May 1978, after consulting Parliament, and with the dual aim of supplementing the Community policy for the proteins sector to which the Council had committed itself after receiving the Commission's report on the subject in 1973 and of extending the list of products grown in the Mediterranean regions of the Community that qualify for Community aid, the Council adopted a Regulation laying down special measures for peas and field beans used in the feeding of animals.<sup>2</sup> These measures included the granting of an aid (payable to those manufacturers of compound feedingstuffs who pay the producers at least the minimum price fixed by the Council) for the Community products in question when the activating price fixed by the

<sup>1</sup> Regulation (EEC) No 1417/78, OJ L 171 of 28. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1119/78, OJ L 142 of 30. 5. 1978.



Council<sup>1</sup> exceeds the average world price for soya meal, thus enabling peas and field beans to be marketed under balanced conditions of competition with soya meal while at the same time providing a fair return to producers.

The general rules for the application of this Regulation were adopted by the Council on 19 June 1978.<sup>2</sup>

(d) *Ethyl alcohol of agricultural origin*

372. In 1978 the examination of the amended proposal for the common organization of the market in question<sup>3</sup> continued in the various departments of the Council. At the end of the year, the Council received a report on this work and in particular on the basic problems involved. The latter related to the inclusion in the guarantee system, as envisaged in the proposal, of alcohol distilled from molasses (which was considered by certain Member States as the *sine qua non* for their acceptance of the new organization of the market), the determination of the volumes and types of alcohol of agricultural origin to be covered by the guarantee system in question, the choice of the economic sectors to be reserved for this type of alcohol (to the exclusion of synthetic ethyl alcohol) and, finally, the measures to be envisaged with a view to financing the organization of the market.

The Council intends to reach a decision on the main options as soon as possible while awaiting any amendments to its proposal that may be announced by the Commission so that use can be made of them for the implementation of the system of Community rules for the alcohol sector.

## **2. AMENDMENTS TO THE BASIC REGULATIONS CONCERNING SEVERAL SECTORS**

### *Cereals, rice and starch products*

(i) Extension of the list of products processed from cereals and rice qualifying for export refunds

373. On 4 April 1978, after consulting Parliament, the Council approved a Regulation<sup>4</sup> adding certain goods to the lists of products

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<sup>1</sup> See paragraph 369 of this Review.

<sup>2</sup> Regulation (EEC) No 1418/78, OJ L 171 of 28. 6. 1978.

<sup>3</sup> See 24th Review, paragraph 277.

<sup>4</sup> Regulation (EEC) No 709/78, OJ L 94 of 8. 4. 1978.

set forth in the Annexes to the two basic Regulations in question, to permit the cereals and rice used in their production to qualify for an export refund. This measure had to be taken to counteract the increasing tendency of the processing industries in question, e.g. the producers of enzymes and penicillin, to resort to products imported under the inward processing traffic system to the detriment of home-produced products.

- (ii) Delegation to the Commission of responsibility for fixing the threshold prices for cereals and rice

374. By two Regulations adopted on 12 June 1978, the Council delegated to the Commission the task of fixing the threshold prices for cereals<sup>1</sup> and rice<sup>2</sup>, hitherto fixed by itself, and on the same occasion the Council approved the criteria for determining these prices which now have all the characteristics of derived prices.

- (iii) Reintroduction of the possibility of granting production refunds for certain products intended for the brewing of beer and for baking

375. The Court of Justice having held in several Cases that the practice of granting refunds for certain products while withholding them from others competing for the same outlets, as hitherto adopted in the Community, was inconsistent with the principle of equality, the Council, after consulting Parliament and the Economic and Social Committee, adopted on 22 May 1978 a Regulation<sup>3</sup> which reintroduced into the basic Regulation on cereals the possibility of granting production refunds for maize used for the manufacture of groats and meal (gritz) used by the brewing industry and also for maize and common wheat used in the Community for the manufacture of quellmehl intended for baking.

These production refunds were to be granted as from 19 October 1977 (date of the judgment of the Court of Justice in the Case in question), but only for the 1978/79 marketing year, the Council having in fact reserved the right to undertake, in the meantime, a general revision of the policy to be followed in the starch sector.

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<sup>1</sup> Regulation (EEC) No 1254/78, OJ L 156 of 14. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1260/78, OJ L 156 of 14. 6. 1978.

<sup>3</sup> Regulation (EEC) No 1125/78, OJ L 142 of 30. 5. 1978.

(iv) Premium payable to potato starch manufacturers

376. In the Regulation referred to in the preceding paragraph, the Council also provided for a premium to be paid to potato starch manufacturers. This measure was intended to maintain the balance between the other starch industries and the potato starch sector, the latter being exposed, in fact, to certain constraints.

Adjustment of the amount of the import levy applicable to maize groats and meal for the brewing industry

377. Following the reintroduction of production refunds for maize groats and meal used by the brewing industry, the Council decided on 26 September 1978 that account should henceforth be taken, in calculating the variable component to be included in the import levy applicable to these products (for the purpose of protecting the brewing industry), of the advantages enjoyed by that industry by virtue of the production refunds granted in respect of the abovementioned products used by it.<sup>1</sup>

(v) Rice

Inclusion in the system of production refunds of broken rice used by the brewing industry for the production of beer

378. On 22 May 1978, following its decisions in favour of certain cereal products intended for use in the brewing of beer<sup>2</sup> and in order to avoid any disadvantage for the broken rice which, like maize groats and meal, can also be used by the brewing industry, and after consulting Parliament and the Economic and Social Committee, the Council adopted a Regulation<sup>3</sup> which places the two groups of products on the same competitive footing by including broken rice used by the brewing industry for the production of beer in the system of production refunds in question.

Improvement of the supply situation with respect to the French Overseas Department of Réunion

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<sup>1</sup> Regulation (EEC) No 2245/78, OJ L 206 of 29. 9. 1978.

<sup>2</sup> See paragraph 376 of this Review.

<sup>3</sup> Regulation (EEC) No 1126/78, OJ L 142 of 30. 5. 1978.

379. With the aforementioned purpose in mind, and after consulting Parliament, the Council adopted two measures<sup>1</sup> on 20 March 1978. The first exempted rice imported into Réunion from the Community levy on this product, although the Community preference was maintained by the granting of a subsidy equal to the amount of the Community levy applicable to this product for rice harvested in the Community and supplied by the Member States.

The other measure is intended to protect the rice processing industry established on the island of Réunion by imposing the levy on certain imported products processed from rice.

### 3. AMENDMENT OF BASIC REGULATIONS

#### (a) *Sugar*

##### (i) Basic Regulation

380. On 4 April 1978, in view of the Community's surplus of white sugar and the need to increase the outlets for this product, the Council, after consulting Parliament, amended Regulation (EEC) No 3330/74 on the common organization of the market in sugar<sup>2</sup> by updating the list of processed products qualifying for export refunds by virtue of the sugar they contain.

A second amendment of the basic Regulation in the sugar sector was made in the course of the annual review of prices in the agricultural sector when on 20 June 1974 the Council decided:<sup>3</sup>

- to extend the system of reimbursement of storage costs applicable to other syrups<sup>4</sup> to cover syrups of Community origin produced after the crystallizing stage and syrups produced from sugar in the preferential category,
- to authorize the Republic of Italy to grant during the 1978/79 sugar year an adaptation aid of 11 units of account per tonne of sugar-beet up to a maximum quantity equivalent to 1 400 000 tonnes of white sugar.

<sup>1</sup> Regulation (EEC) No 594/78, OJ L 82 of 29. 3. 1978.

<sup>2</sup> Regulation (EEC) No 705/78, OJ L 94 of 8. 4. 1978.

<sup>3</sup> Regulation (EEC) No 1396/78, OJ L 170 of 27. 6. 1978.

<sup>4</sup> See paragraph 442 of this Review.

(ii) Quotas

381. On 13 February 1978, to take account of the different rates of development of sugar production in the various French departments overseas, the Council, after consulting Parliament, amended Regulation (EEC) No 3331/74 on the allocation and alteration of the basic quotas for sugar<sup>1</sup> by increasing, from 5% to 10%, the percentage limit up to which the French Republic may modify the basic quotas for the undertakings established in its overseas departments. The authorization of this increased flexibility of action was intended to permit the transfer to the manufacturers established in Réunion of the quotas not taken up by the undertakings established in Guadeloupe and Martinique.

(b) *Isoglucose*

382. On two occasions in the period under review, after consulting Parliament, the Council amended the basic Regulation on isoglucose.

By the first of these amendments, adopted on 4 April 1978,<sup>2</sup> the Council included isoglucose, on the same terms as glucose, in the list of basic products on which an export refund is granted, when it is exported in the form of processed products not covered by Annex II to the Treaty.

The abovementioned amendment necessitated the amendment, on the same date, of Regulation (EEC) No 2682/72 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,<sup>3</sup> thus adding isoglucose to the list of basic products on which an export refund is granted.

The second of these amendments to the basic Regulation on isoglucose was adopted on 6 June 1978 in the framework of the annual fixing of agricultural prices,<sup>4</sup> the Council deciding on that occasion that the amount of the production levy should remain equal, for the period

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<sup>1</sup> Regulation (EEC) No 298/78, OJ L 45 of 16. 2. 1978.

<sup>2</sup> Regulation (EEC) No 706/78, OJ L 94 of 8. 4. 1978.

<sup>3</sup> Regulation (EEC) No 707/78, OJ L 94 of 8. 4. 1978.

<sup>4</sup> Regulation (EEC) No 1298/78, OJ L 160 of 17. 6. 1978.

between 1 July 1978 and 30 June 1979, to that of the production levy on sugar, although only up to a maximum of 5 u.a./100 kg of dry matter.

(c) *Wine*

383. In 1978, the efforts of the Community institutions to lay down measures designed to bring about the optimum balance in the wine market produced a large number of proposals followed by decisions regarding not only the basic rules for the common organization of the market in wine laid down in 1970 but also the structural action to be taken to ensure the progressive improvement of the organization of this sector of production.

In the same context, and taking account of the geographical concentration of European viticulture, the measures currently under examination by the Council were also drafted with the development of the Mediterranean regions of the Community particularly in mind.

384. Firstly, on the basis of a proposal submitted by the Commission on 13 February 1978, and after obtaining the opinions of Parliament and the Economic and Social Committee, the Council adopted Regulation (EEC) No 1861/78 of 25 July 1978<sup>1</sup> comprising a whole series of amendments, additions and clarifications of the basic Regulation on wine, particularly with regard to oenological practices and monitoring of the development of the wine-growing potential of the Community, the latter aspect having to be taken in conjunction with the need to harmonize certain provisions of Regulation (EEC) No 816/70 and with the new system of statistical surveys of areas under vines that was introduced under Regulation (EEC) No 978/78.<sup>2</sup>

The measures adopted in July 1978 expressed in a detailed set of rules the decisions in principle taken by the Council during the general discussion of agricultural prices at its meeting of 8-12 May 1978. On the same occasion, it should be noted, the Commission withdrew not only the remaining elements of the abovementioned proposals but also its parallel proposal for the creation of a European trade organization for table wines, having failed to achieve a general consensus on innovative measures fraught with economic and legal

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<sup>1</sup> OJ L 215 of 4. 8. 1978.

<sup>2</sup> See paragraph 444 of this Review.

implications and requiring, *inter alia*, the drafting of a package of measures affecting the basic structures of the wine sector.

385. In view of the close interrelationship between structural improvements and the introduction of an effective marketing system, the Commission put forward to the Council, on 7 August, 12 September and 18 December 1978, a set of proposals regarding the two aspects in question embodied in a multi-annual action programme for the wine sector (1979–85) covering a number of fields of intervention from the standpoints of production and consumption.

There were in fact seven proposals for Regulations and one proposal for a Directive, having as their main purpose:

- the amendment of the wine marketing system with a view to strengthening the instruments required for its management: aids for the utilization of concentrated musts and rectified concentrated musts, commonly known as 'grape sugar', for the enrichment of wines, the introduction of a minimum price in the event of a serious surplus situation and a consequent drop in market prices, accompanied by the distillation of wines which cannot be absorbed by the market at the minimum price;
- extension of the system of additional rates of compulsory distillation with a view to ensuring the balanced application of compulsory distillation in general, aids for the use of musts and concentrated musts of Community origin, in place of corresponding products imported from third countries, for the production of grape juice and certain wines traditionally produced in the United Kingdom and Ireland;
- control of wine production potential with a view to its optimal location, involving the classifications of the areas producing table wines in the Community in three categories and the introduction of a selective vine planting system to replace the general ban on replanting imposed under Regulation (EEC) No 1162/76;<sup>1</sup>
- application of a system of incentives to abandon wine-growing in certain areas under vines, including premiums for conversion and the permanent cessation of wine-growing, together with a system of premiums for the surrender of certain replanting rights;

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<sup>1</sup> See 24th Review, paragraph 298.

- aid for the cessation of wine-growing in the form of premiums for certain older wine-growers with more than a certain minimum area under vines;
- acceleration of the regional conversion plan for the Charentes wine-growing region which produces a particularly large wine surplus;
- finally, a common action programme for the wine-growing sector, both for table wines and quality wines PSR,<sup>1</sup> with a view to improving the remuneration and working conditions of viticultural workers and the quality of the products concerned.

Given the size and complexity of the problem and the need to carry out a particularly detailed examination of its various aspects, the Council restricted itself in 1978 to discussing the measures to be taken to regulate the market and the specific system for the Charentes. In this context, at its meeting of 18-19 December 1978, it approved the basic principles and main elements of the rules for the Charentes, together with measures in respect of minimum prices, the additional rate of compulsory distillation and the granting of aids for the production of grape juice and British and Irish wines.

386. After formal discussions, and in view of the desirability of its application to the 1978 wine harvest, the system of aids for the enrichment of wines by concentrated grape must was embodied in Regulation (EEC) No 3065/78 adopted on 21 December 1978.<sup>2</sup>

The Council intends to discuss the other aspects of the problem in 1979 with a view to the formal adoption of the proposed measures in the first half of the calendar year followed by their implementation at the start of the 1979/80 wine-growing year.

387. In addition, pending the implementation of the new measures designed to adjust wine-growing potential, in the long-term, to market requirements, and intended to replace the temporary measures laid down in Regulation (EEC) No 1162/76, the Council, acting on a proposal from the Commission and after consulting Parliament, approved the extension, for a further 12 months, of the provisions of

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<sup>1</sup> OJ L 54 of 5. 3. 1979.

<sup>2</sup> OJ L 366 of 28. 12. 1978.



the abovementioned Regulation and, in particular, the ban on new planting due to expire on 30 November 1978.<sup>1</sup>

388. In 1978, for the fifth time, the Council amended its Regulation (EEC) No 1163/76<sup>2</sup> on the granting of a conversion premium in the wine sector, with a view to facilitating the practical application of the system in question. Thus the Council, acting on a proposal from the Commission, decided on 30 May 1978<sup>3</sup> that the deadline of 1 April 1978 for the grubbing-up of vines, as laid down in Article 3 (2) of the said Regulation, should be extended to 16 June 1978. This measure was intended as a concession to the wine-growers, particularly in certain regions of the Community, in view of the problems experienced in carrying out some of the operations referred to in the Regulation in question.

389. Finally, on 2 October 1978, the Commission put before the Council a package of proposals for Regulations to consolidate the latter's legislation in the wine sector.

Parliament has already delivered its opinion on this matter and the Council expects to adopt the consolidated Regulations in the course of the first quarter of 1979.

(d) *Milk*

**Milk Marketing Boards**

390. On 20 June 1978, the Council adopted two Regulations,<sup>4</sup> one amending basic Regulation (EEC) No 804/68 and the other, linked with that amendment, concerning the granting of certain special rights to milk producer organizations (Milk Marketing Boards) in the United Kingdom.

In fact, these Regulations permit the authorization, under certain conditions, of the activities of such producer organizations which have existed in the United Kingdom since 1933<sup>5</sup> and whose main

<sup>1</sup> Regulation (EEC) No 2776/78, OJ L 333 of 30. 11. 1978.

<sup>2</sup> Regulation (EEC) No 1155/78, OJ L 144 of 30. 5. 1978.

<sup>3</sup> See 24th Review, paragraph 299.

<sup>4</sup> Regulation (EEC) No 1421/78 of 20. 6. 1978 and Regulation (EEC) No 1422/78 of 20. 6. 1978, OJ L 171 of 28. 6. 1978.

<sup>5</sup> In the United Kingdom there are five Milk Marketing Boards covering the entire territory.

characteristic is their exclusive right to purchase milk in a specific area and to equalize the prices paid to producers. Such authorization is subject, however, to a certain number of conditions, the most important being that the organization must represent at least 80 % of the number and at least 50 % of the production capacity of the milk producers in the area in which the organization operates and further that the quantity of milk used in the Member State concerned for direct human consumption in the form of fresh milk or fresh milk products must represent, in relation to the milk produced and marketed in the Member State concerned, at least 150 % of the corresponding proportion for the Community as a whole, in addition to which the *per capita* consumption of fresh milk or fresh-milk products in the Member State concerned must be greater than that for the Community as a whole.

(e) *Fruit and vegetables*

391. On 8-12 May 1978, within the framework of its decisions regarding agricultural prices for 1978/79 and related measures and on the development of the Mediterranean regions, the Council, after consulting Parliament amended certain mechanisms of the common organization of the market established for this sector by Regulation (EEC) No 1035/72 (fresh fruit and vegetables) and Regulation (EEC) No 516/77 (processed fruit and vegetables) with a view to strengthening the competitive position of Community horticulture and certain of its processed products.

(i) *Fresh fruit and vegetables*

392. The measures taken in this sector<sup>1</sup> were mainly aimed at improving the balance between supply and demand on the market for certain products and reinforcing Community preference. The Council thus decided

- to provide an additional incentive for the formation of producers' organizations, and to facilitate their operations by increasing the amount of the aid and extending the period during which it may be granted by the Member States to the organizations concerned;
- to authorize these organizations to withdraw from the market certain products which, while conforming to the quality standards,

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<sup>1</sup> Regulation (EEC) No 1154/78 of 30. 5. 1978, OJ L 144 of 31. 5. 1978.

do not comply with the marketing rules drawn up by the producers' organizations which, in that case, may grant compensation to the member producers in question;

- to accelerate and reinforce the procedure for determining that the summer market for peaches and pears is in a state of serious crisis, thus making it possible to bring forward, for these products, the date from which the Member States may commence buying-in operations;
- to bring the method of calculation of reference prices more into line with market realities by taking due account, when these prices are fixed, of the trend of production costs in the Community;
- to extend the payment of the marketing premium for lemons until 1 June 1979;
- to render permanent the system established the preceding year,<sup>1</sup> whereby certain categories of blood oranges withdrawn from the market may be sold to the processing industry;<sup>2</sup>
- to fix more precisely, by technical amendments, the duration of the marketing seasons for the products in question, the level of purchase prices for table grapes and the criteria for adjusting the amount of the countervailing charge.

On the same occasion, and with the same objectives in mind, the Council decided to offer an incentive for the more effective planning of the production of certain types of fruit by lifting the ban on Member States granting national aid for the replanting of apple, pear and peach orchards.<sup>3</sup>

## (ii) Processed fruit and vegetables

### Extension of the field of application of the production aid system

393. As indicated *inter alia* in the 23rd and 25th Reviews, the Council had already taken various measures in earlier years to improve the competitiveness of preserved fruit and vegetables produced, in particular, in the Mediterranean regions of the Community. But as these measures had not achieved the desired result of compensating for the difference between production costs in the Community and

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<sup>1</sup> See 25th Review, paragraph 387.

<sup>2</sup> Regulation (EEC) No 1766/78 of 25. 7. 1978, OJ L 204 of 28. 7. 1978.

<sup>3</sup> Regulation (EEC) No 1153/78, OJ L 144 of 31. 5. 1978.

those in the main competing third countries, the Council considered it desirable, in the period under review, to increase the support granted to the industry in question. To that end, it made permanent the granting of production aid to processors of lemons harvested in the Community<sup>1</sup> which had been scheduled, in accordance with the decisions taken in the preceding year, to be discontinued at the end of the 1979/80 marketing year.<sup>2</sup>

The Council decided, furthermore, to extend the payment of production aids to other products<sup>3</sup> which were also considered vulnerable (prunes, tomato concentrates, peeled tomatoes, peaches in syrup and tomato juice), along the same lines, moreover, as the system introduced in 1975 for preserved pineapples,<sup>4</sup> to which the Council also made certain amendments providing, in particular, for the payment to producers of tinned pineapples of advances against the aid to which they were entitled.<sup>5</sup>

(f) *Seeds*

Measures to improve the planning of production

394. The Regulation approved by the Council, after consulting Parliament and the Economic and Social Committee, on 19 June 1978,<sup>6</sup> amended two aspects of the common organization of the market in this sector, namely the system of production aid and the arrangements in respect of multiplication contracts.

By these amendments, the Council pursued its aim of providing the Community with the instruments for implementing a production policy more in line with market requirements than in the past.

With that purpose in mind, the Council decided, firstly, that the production aid would thenceforth be fixed for two consecutive marketing years, an arrangement which is more in keeping with the multiannual nature of the production of most varieties of seeds than the previous practice of fixing this aid annually.

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<sup>1</sup> Regulation (EEC) No 1767/78, OJ L 204 of 28. 7. 1978.

<sup>2</sup> See 25th Review, paragraph 390.

<sup>3</sup> Regulation (EEC) No 1152/78, OJ L 144 of 31. 5. 1978.

<sup>4</sup> See 23rd Review, paragraph 378.

<sup>5</sup> Regulation (EEC) No 2990/78, OJ L 357 of 21. 12. 1978.

<sup>6</sup> Regulation (EEC) No 1346/78, OJ L 165 of 22. 6. 1978.

Secondly, the Council empowered the Member States, as from 1 February 1979, to oblige seed undertakings or growers established in their territory to register all seed multiplication contracts concluded with seed producers established in third countries with the bodies appointed for that purpose. The Member States transmit the resulting statistical data to the Commission at regular intervals, and will thus provide it with an additional parameter for assessing the situation and current trends in the common market in seeds, a parameter which will be all the more useful because supplies for the Community market largely depend on imports of seeds under these multiplication contracts.

(g) *Hops*

Rules for recognition of the equivalence to Community certificates of the attestations forwarded with hops imported from non-member countries.

395. On 30 November 1978, the Commission put before the Council a proposal for a Regulation extending the deadline laid down in the basic Regulation for completion of the procedure for recognition of the abovementioned attestations of equivalence issued by the official organizations in the third countries which have requested such recognition of equivalence. The Council decided to consult Parliament on this proposal, which it instructed its subordinate bodies to examine.

(h) *Vegetable oils (olive oil)*

396. In 1978 the Council completed its examination of the proposal for a general revision of the basic Regulation on olive oil which the Commission had put before it in December 1977.<sup>1</sup> On 29 June 1978, after consulting Parliament, the Council adopted Regulation (EEC) No 1562/78,<sup>2</sup> which takes account of the changes in the sector since 1965 and is intended to alleviate the repercussions of the current downtrend in consumption of olive oil without, however, encouraging surplus production and without jeopardizing the level of the guaranteed payments to producers for the quantities of olive oil actually produced.

In line with these aims, the new system includes the following basic elements:

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<sup>1</sup> See 25th Review, paragraph 391.

<sup>2</sup> OJ L 185 of 29. 7. 1978.

- streamlining of the system of production aid, and restriction of its application to areas planted with olive-trees on the date on which the new system entered into force;
- the introduction of a system of consumption aid to ensure that olive oil is sold at prices which are competitive with those of seed oils;
- the possibility of undertaking operations to enhance the quality of the product and to promote sales and consumption, with the proviso that the resulting costs are to be borne by the producers and other beneficiaries;
- prohibition of the presentation for intervention of imported olive oil and oil in respect of which consumption aid has been paid;
- amendment of the rules relating to imports of olive oil from third countries, the system whereby levies are fixed by tendering procedure, as laid down in Regulation (EEC) No 2843/76 and Regulation (EEC) No 2844/76<sup>1</sup> being introduced into the basic regulation as an alternative (to be used when necessary) to the method of fixing the levies to be applied under normal conditions on the world market in olive oil;
- measures relating to the participation and tasks of producer groups in managing the olive-oil sector and, above all, measures supplementing the horizontal arrangements adopted for this purpose<sup>2</sup> with a view to encouraging the formation and operation of these groups;
- finally, an obligation on the part of the Member States concerned to take whatever steps are necessary to impose penalties for infringements of the rules relating to production and consumption aids.

397. When adopting the Regulation in question the Council noted that the Commission intended to transmit to it, before 31 October 1980, a report on the application of the new common organization of the olive-oil market. The new system should have entered into force on 1 November 1978, the date of commencement of the new olive-oil marketing year, but in view of the complexity of the detailed rules for its application to be worked out before that date, involving both the

<sup>1</sup> See 24th Review, paragraph 366.

<sup>2</sup> See paragraph 465 *et seq.* of this Review.

Council and the Commission, and bearing in mind the need for an adequate interim period for the subsequent adaptation at national level of the instruments provided under the previous arrangements, the Council had to postpone the date of application of the Community rules in question until 1 January 1979. Thus, on 31 October 1978, acting on a proposal from the Commission which had taken as its legal basis the derogations provided for in Article 36 of Regulation No 136/66/EEC,<sup>1</sup> the Council extended the 1977/78 olive marketing year by two months and adopted the agri-monetary arrangements which the situation demanded.

398. On 20 June 1978, in line with its general review of the basic Regulation on olive oil, the Council, acting on a proposal from the Commission and after obtaining the opinion of Parliament, adopted Regulation (EEC) No 1419/78<sup>2</sup> amending Article 10 of Regulation No 136/66/EEC with effect from 1 November 1973. This modification, which remained in force until 31 December 1978, included the amendment of the definition of 'producers of olive oil' to take account of the judgment of the Court of Justice in Case 36/77,<sup>3</sup> in which the Court had held that this expression must 'be interpreted as referring to the producers of the processed product, namely olive oil'. The same regulation also provided for appropriate derogations to take account of the special situation obtaining in France.

(i) Dehydrated fodder

399. Pending the introduction of the new common organization of the market in dried fodder<sup>4</sup> the Council twice extended the term of application of the system of aid provided under Regulation (EEC) No 1067/74 on the common organization of the market in dehydrated fodder.<sup>5</sup>

In extending the system of aid further to 30 June 1978, the Council manifested its desire to preserve the continuity of these arrangements with a view to avoiding uncertainty among the operators in this sector and safeguarding the competitive position of Community

<sup>1</sup> Regulation (EEC) No 2580/78, OJ L 309 of 1. 11. 1978.

<sup>2</sup> OJ L 171 of 28. 6. 1978.

<sup>3</sup> Reports of Cases before the Court of the European Communities 1977, p. 2059.

<sup>4</sup> See paragraph 474 of this Review.

<sup>5</sup> Regulation (EEC) No 508/78, OJ L 69 of 11. 3. 1978 and Regulation (EEC) No 1156/78, OJ L 144 of 31. 5. 1978.

products until the entry into force of the new common organization of the market.

## C – Management of the common organization of the markets

### 1. CEREALS

(a) *Cereal prices for the 1978/79 marketing year*

400. On 12 June 1978,<sup>1</sup> the Council laid down the prices for the main cereals, as shown in the following table:

**Prices and fixed amounts**

Products	Type of price or amount	Fixed amounts 1977/78 u.a./tonne	Fixed for 1978/79	
			Absolute value (u.a./tonne)	% increase in 1978/79 1977/78 (approx.)
1	2	3	4	5
Durum wheat	Target price	224.27	224.27	0
	Single intervention price	203.01	203.01	0
	Aid (restricted to certain regions)	60 u.a./ha	63 u.a./ha	5 %
Common wheat	Target price	158.08	162.39	2.7
	Single common intervention price	120.06	121.57	1.3
	Reference price for common wheat of bread- making quality	135.59	136.96	1.0
Barley	Target price	144.97	147.23	1.6
	Single common intervention price	120.06	121.57	1.3
Rye	Target price	155.12	155.12	0
	Single intervention price	128.96	130.25	1
Maize	Target price	144.97	147.23	1.6
	Single common intervention price	118.03	121.57	3

<sup>1</sup> Regulation (EEC) No 1255/78, OJ L 156 of 14. 6. 1978.



The table shows that the reform of the common organization of the market undertaken in 1976 and involving in particular the restructuring of prices in line with the 'Silo' model<sup>1</sup> has been largely completed. Although the single intervention price for rye was again fixed for the 1978/79 marketing year at a higher level than that fixed for feed grain, the prices of maize and barley were fully aligned with the single intervention price for common wheat intended for use as animal feed, namely 121.57 u.a./tonne.

The reference price fixed for common wheat of bread-making quality was 13% higher than the abovementioned single intervention price of cereals intended for use as feed grain. In the absence of a method for determining medium bread-making quality (complete 'baking test') this reference price was fixed for common wheat which meets the requirements in respect of minimum bread-making quality which the Council defined on the same occasion<sup>2</sup> by supplementing the mechanical kneading test, hitherto applied<sup>3</sup> with certain provisions designed to ensure an acceptable level of amylase activity in common wheat used for bread-making.

*(b) Aid to producers of durum wheat*

401. The Regulation fixing the list of Community regions which qualify for aid in respect of durum wheat and fixing the amount of such aid was adopted by the Council on 12 June 1978.<sup>4</sup> It provides that apart from the Italian regions which, in the previous marketing year, had been the only recipients of the aid in question, the two ONIC administrative regions' (Marseilles and Toulouse) and the Ardèche and Drôme departments should also qualify for this aid in the 1978/79 marketing year, to ensure the maintenance of durum wheat production and producers' incomes in those areas.

The Council increased the amount of this production aid by 5% compared with the level for the preceding year, thus raising the payment to 63 u.a./ha.

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<sup>1</sup> See 25th Review, paragraphs 280-282.

<sup>2</sup> Regulation (EEC) No 1256/78, OJ L 156 of 14. 6. 1978.

<sup>3</sup> See 25th Review, paragraph 394.

<sup>4</sup> Regulation (EEC) No 1259/78, OJ L 156 of 14. 6. 1978.

(c) *Monthly price increases for cereals*

402. Taking account, on the one hand, of the increase in storage costs and interest charges for storing cereals and, on the other hand, of the need to market the existing stocks according to market requirements, the Council decided on 12 June 1978<sup>1</sup> to fix the amounts of the monthly price increases at the same levels as those for the preceding marketing year.

(d) *Carry-over payment at the end of the marketing year*

403. On 12 June 1978, with a view to preventing a massive inflow of cereals to intervention at the moment when the monthly intervention price increases for cereals end, and in the light of the situation in the markets for common wheat, rye and maize, the Council granted a carry-over payment for these three cereals.<sup>2</sup> The payment is equal to the difference between the target price, in national currency, applicable in the last month of the 1977/78 marketing year and that applicable in the first month of the 1978/79 marketing year.

(e) *General rules on the granting of export refunds for products processed from cereals and from rice*

404. The rules in force provided for the export refund to be fixed once per month. Experience having shown, in the case of malt, that this rule did not make it possible to follow the development of the world market with sufficient flexibility, the Council amended the system on 7 July 1978, by providing for the export refunds to be fixed at least once per month.<sup>3</sup>

(f) *Reduction of the levy on certain imports of feed grain imported by sea into Italy*

405. For the same reasons as in the preceding year,<sup>4</sup> the Council decided on 25 July 1978,<sup>5</sup> to continue for the 1978/79 marketing year the measure authorizing the Italian Government to reduce by 3 u.a./tonne the Community levy on feed grain imported by sea into Italy in respect of certain categories of these cereals.

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<sup>1</sup> Regulation (EEC) No 1257/78, OJ L 156 of 14. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1258/78, OJ L 156 of 14. 6. 1978.

<sup>3</sup> Regulation (EEC) No 1603/78, OJ L 188 of 11. 7. 1978.

<sup>4</sup> See 25th Review, paragraph 397.

<sup>5</sup> Regulation (EEC) No 1765/78, OJ L 204 of 25. 7. 1978.

## 2. RICE

### (a) *Rice prices for the 1978/79 marketing year*

406. On 12 June 1978, in line with the trend of production costs in this sector, the Council, after consulting Parliament and the Economic and Social Committee, fixed the intervention price for paddy rice and, by derivation from that price, the target price for husked rice, at new levels approximately 2 % higher<sup>1</sup> than those for the preceding marketing year.

On the other hand, in the case of the amount to be included in the threshold price for wholly milled rice for the protection of the industry the Council decided, in the light of the situation in the rice processing industry and the trend of imports of wholly milled rice, to maintain the amount fixed for that purpose for the preceding marketing year, i.e. 11.50 u.a./tonne.<sup>2</sup>

### (b) *Monthly rice price increases*

407. On the same occasion, for the same reasons as for other cereals, the Council maintained the monthly increases applicable to the prices of paddy rice and husked rice at the level fixed for the preceding marketing year.<sup>3</sup>

## 3. STARCH PRODUCTS

### (a) *Production refunds*

408. After amending the basic Regulations on cereals and rice,<sup>4</sup> the Council fixed the production refunds for quellmehl intended for use in the bakery industry and for maize groats and meal and broken rice intended for use in the brewing industry.<sup>5</sup>

<sup>1</sup> Regulation (EEC) No 1261/78, OJ L 156 of 14. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1263/78, OJ L 156 of 14. 6. 1978.

<sup>3</sup> Regulation (EEC) No 1262/78, OJ L 156 of 14. 6. 1978.

<sup>4</sup> See paragraph 373 and following paragraphs of this Review.

<sup>5</sup> Regulation (EEC) No 1127/78, OJ L 142 of 30. 5. 1978.

The amounts of the refunds applicable to the various products in this sector were fixed as follows:

- 17 u.a./tonne for maize intended for the manufacture of starch, for quellmehl intended for use in the bakery industry and for groats and meal intended for the brewing of beer;
- 24.29 u.a./tonne for common wheat intended for the manufacture of starch and quellmehl intended for use in the bakery industry;
- 20.89 u.a./tonne for broken rice intended for the manufacture of starch and use in the brewing industry.

The Council thus deferred to the judgments of the Court of Justice<sup>1</sup> that equality of treatment should be reestablished between certain products used either in the baking of bread or in the brewing of beer.

The abovementioned judgments having been delivered on 19 October 1977, the Council decided that the refunds in question should be paid, on application by those concerned, as from that date.

(b) *Minimum price payable to potato growers by potato starch manufacturers and the premium payable to the latter*

409. In accordance with the functions assigned to prices and premiums in the management of the starch sector,<sup>2</sup> the Council increased the minimum price payable to growers of potatoes intended for the manufacture of potato starch by the same margin as the prices and compensatory amounts for other agricultural products, i.e. approximately 2%. The premium payable to potato starch manufacturers was fixed at 10 u.a./tonne. This rate allows for the increasing advantage enjoyed by the manufacturers of starch produced from maize, an advantage derived, in particular, from the by-products of the latter process.

#### 4. PIGMEAT

410. When fixing the basic price and the standard quality for slaughtered pigs for the 1978/79 marketing year (price rise of 2% and

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<sup>1</sup> Joined Cases 117/76 and 16/77, and Joined Cases 124/76 and 20/77.

<sup>2</sup> See paragraph 373 of this Review.

price fixed at 1226.04 u.a./tonne<sup>1</sup> for the period 1 November 1978 to 31 October 1979), the Council had agreed that the minimum price for slaughtered pigs provided for in Article 5 of Regulation (EEC) No 2759/75<sup>2</sup> would be reduced from 85 % to 78 % of the basic price and that the latter percentage would serve as the basis for calculating monetary compensatory amounts in the pigmeat sector.

On 20 June 1978, in view of that commitment, the Council adopted the Regulation in question which entered into force on 1 July 1978.<sup>3</sup>

In addition, on 18 December 1978, the Commission put before the Council a proposal for amending the standard amount of general costs used to calculate the sluice-gate price for pig carcasses. In view of the uptrend in costs since 1977 (most recent amendment of this amount), it proposed that the amount in question be increased by 60 %, from 20 to 32 u.a./100 kg. The Council agreed to take a decision on this matter in January 1979.

## **5. EGGS AND POULTRY – MANAGEMENT OF THE MARKET**

### *(a) Water content of frozen and deep-frozen poultry*

411. The Council, pending the enactment of a set of general rules for the marketing of poultry, adopted Regulation (EEC) No 2967/76<sup>4</sup> laying down common standards for the water content of frozen and deep-frozen chickens, hens and cocks.

The full implementation of this Regulation, which had originally been intended to enter into force on 1 December 1977, was held up, in particular, by the problem of opting for a specific method of determination of water content. The objective comparison of the results obtained in practice by the two methods laid down in the current version of the Regulation proved difficult to carry out.

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<sup>1</sup> Regulation (EEC) No 1124/78 of 22. 5. 1978, OJ L 142 of 30. 5. 1978.

<sup>2</sup> OJ L 282 of 1. 11. 1975.

<sup>3</sup> Regulation (EEC) No 1423/78, OJ L 171 of 28. 6. 1978.

<sup>4</sup> OJ L 339 of 8. 12. 1976.

As no agreement could be reached on the choice of a single method, the deadline for full implementation of the Regulation has several times been extended<sup>1</sup> by the Council, and has now been fixed at 1 April 1979. Before that date, the Commission will put before the Council a proposal defining a single method acceptable to all the Member States.

Before the same date, the Council will again examine the problem of application of Regulation (EEC) No 2967/76 to exports to third countries, this problem also being unresolved at present.

(b) *Marketing standards for eggs and poultry*

412. In 1978 the Council continued its work on improving the quality of eggs<sup>2</sup> and fixing the marketing standards for poultry, but it has not yet reached any final conclusions. The problems that have arisen, particularly with regard to the application of the proposed standards, still need to be studied in depth by the competent departments.

## **6. MILK AND MILK PRODUCTS**

(a) *Situation*

413. As in earlier years, and notwithstanding the action programme adopted in 1977 with a view to ensuring the gradual re-establishment of equilibrium in this market, the Community market for milk and milk products was characterized by structural surpluses, this situation being attributable on the one hand to the inadequacy of the measures adopted in 1977 and, on the other hand, to the improved yield per cow which resulted in a further increase in total milk production in 1978.

(b) *Measures to ensure the gradual re-establishment of equilibrium in the market*

414. In view of the abovementioned surpluses and the general downtrend in the consumption of milk and the majority of milk products,

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<sup>1</sup> Most recent extension: Regulation (EEC) No 2238/78 of 26. 9. 1978, OJ L 272 of 28. 9. 1978.

<sup>2</sup> Amendment of Regulation (EEC) No 2772/75, OJ L 282 of 1. 11. 1975.

the Council adopted several new measures and amended a certain number of those already in force.<sup>1</sup>

(i) Co-responsibility levy

415. Although the Council decided to maintain the levy system introduced on 17 May 1977 (Regulation (EEC) No 1079/77 on a co-responsibility levy and on measures for expanding the markets in milk and milk products)<sup>2</sup> it also decided, in view of the modest increase it had approved in the price of milk, to modify the margin within which the levy is fixed and the actual percentage charged. The new margin is 0.5 % (previously 1.5–4 %). The levy for the 1978/79 milk year was fixed at 0.5 % of the target price for milk (previously 1.5 %).<sup>3</sup>

(ii) Premiums for the non-marketing of milk and milk products and for the conversion of dairy herds

416. The Council having noted the failure of the abovementioned system to achieve the expected results, decided to increase the premiums payable under Regulation (EEC) No 1078/77<sup>2</sup> to applicants producing smaller quantities of milk and at the same time to take quantities of more than 120 000 kg into account.<sup>4</sup>

(iii) Other measures

417. The other measures adopted in the context of the action programme aimed at ensuring the gradual re-establishment of equilibrium in this market may be summarized as follows:

— the granting of a consumer subsidy for butter<sup>5</sup> (amendment of Regulation (EEC) No 880/77,<sup>6</sup> adjusting the amount of the subsidy in question);

<sup>1</sup> On 22 May 1978, as the discussion of prices and related measures for the 1978/79 milk marketing year had not been completed in time for the start of the marketing year, the Council extended the milk year and the consumer subsidy for butter, together with the system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds, by adopting the following Regulations: Regulation (EEC) No 910/78, OJ L 117 of 29. 4. 1978; Regulation (EEC) No 593/78, OJ L 82 of 29. 3. 1978; Regulation (EEC) No 506/78, OJ L 69 of 11. 3. 1978.

<sup>2</sup> OJ L 131 of 26. 5. 1977.

<sup>3</sup> Regulation (EEC) No 1001/78 of 12. 5. 1978, OJ L 130 of 18. 5. 1978.

<sup>4</sup> Regulation (EEC) No 1041/78 of 22. 5. 1978, OJ L 134 of 22. 5. 1978.

<sup>5</sup> Regulation (EEC) No 1040/78 of 22. 5. 1978, OJ L 134 of 22. 5. 1978.

<sup>6</sup> OJ L 106 of 29. 4. 1977.

- the provision of milk and certain milk products at reduced prices for schoolchildren, by augmenting the list of products which may be supplied<sup>1</sup> (amendment of Regulation (EEC) No 804/68<sup>2</sup> and Regulation No 1080/78);<sup>3</sup>
- the sale of butter at reduced prices to persons receiving social assistance (Community aid: 15 u.a./100 kg);<sup>4</sup>
- the amendment of the general rules for granting aid for skimmed milk and skimmed-milk powder intended for use as feed (amendment of Regulation (EEC) No 986/68),<sup>5</sup> widening by 5 u.a. the margin within which the aid for skimmed-milk powder may be fixed and setting the new limits between a minimum of 38 and a maximum of 48 u.a./100 kg.<sup>6</sup>

These measures, taken together, should have the long-term effect of reducing stocks of butter and skimmed-milk powder, which are still considerable (approximately 420 000 tonnes of butter and 700 000 tonnes of powder at 31 December 1978). As in 1977, the Community organized a 'Christmas butter' operation which ensured the release of 65 000 tonnes of refrigerated butter at a reduced price. On that occasion, the Council also granted:

- a subsidy to Italy in respect of fresh butter, because that country has no stocks of (refrigerated) intervention butter;<sup>7</sup>
- an aid for the consumption of butter in the United Kingdom, in addition to that granted under Regulation (EEC) No 880/77,<sup>8</sup> in respect of a maximum quantity of 51 025 tonnes of butter, to avoid the disturbance of the butter market in the United Kingdom which

<sup>1</sup> Regulation (EEC) No 1039/78 of 22. 5. 1978, OJ L 134 of 22. 5. 1978.

<sup>2</sup> Amending Regulation (EEC) No 1038/78 of 22. 5. 1978, OJ L 134 of 22. 5. 1978; basic Regulation: OJ L 148 of 20. 6. 1968.

<sup>3</sup> OJ L 131 of 26. 5. 1977.

<sup>4</sup> Regulation (EEC) No 1762/78 of 25. 7. 1978, OJ L 204 of 28. 7. 1978.

<sup>5</sup> OJ L 169 of 18. 7. 1968.

<sup>6</sup> Regulation (EEC) No 1042/78 of 22. 5. 1978, OJ L 134 of 22. 5. 1978.

<sup>7</sup> Regulation (EEC) No 1764/78 of 25. 7. 1978, OJ L 204 of 28. 7. 1978.

<sup>8</sup> Regulation (EEC) No 1040/78 of 22. 5. 1978, OJ L 134 of 22. 5. 1978, OJ L 106 of 29. 4. 1977.



might otherwise have resulted from the 'Christmas [refrigerated] butter' operation in that country.<sup>1</sup>

(c) *Other measures than those specifically aimed at the re-establishment of equilibrium in the market*

(i) Whisky-cream

418. The Council provided for the inclusion in the Annex to the basic Regulation on whisky-cream (alcoholic beverage based on cream) to permit refunds to be granted on exports of this product;<sup>2</sup>

(ii) Provolone

419. The Council included Provolone cheeses in basic Regulation (EEC) No 804/68 to permit them to qualify for the private storage aid granted for these types of product;<sup>3</sup>

(iii) The transfer of butter and milk powder to Italy

420. In view of the structural deficit in the milk and milk products sector in Italy, the Council extended (for the fourth time) to 1 January 1979 the deadline of 1 April 1977 initially laid down in Regulation (EEC) No 2452/76<sup>4</sup> for placing 10 000 tonnes of Community butter on the Italian market and adopted Regulation (EEC) No 1763/78 of 25 July 1978<sup>5</sup> on the transfer to the Italian intervention agency, before 1 January 1980, of 100 000 tonnes of skimmed-milk powder held by the intervention agencies of other Member States;

(iv) Fat content of standardized whole milk

421. In 1978, in accordance with the provisions of Regulation (EEC) No 1411/71,<sup>6</sup> the Council twice fixed the guideline figure for the fat content of standardized whole milk imported into Ireland and the

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<sup>1</sup> Regulation (EEC) No 2574/78 of 30. 10. 1978, OJ L 309 of 1. 11. 1978.

<sup>2</sup> Regulation (EEC) No 1037/78 of 22. 5. 1978, OJ L 134 of 22. 5. 1978.

<sup>3</sup> Regulation (EEC) No 1761/78 of 25. 7. 1978, OJ L 204 of 28. 7. 1978.

<sup>4</sup> OJ L 279 of 9. 10. 1976.

<sup>5</sup> OJ L 204 of 28. 7. 1978.

<sup>6</sup> OJ L 148 of 3. 7. 1971.

United Kingdom from other Member States. These minimum levels were fixed as follows:

- for the 1978/79 milk year:<sup>1</sup>  
3.55 % (Ireland) and 3.78 % (United Kingdom);
- for the 1979/80 marketing year:<sup>2</sup>  
3.59 % (Ireland) and 3.84 % (United Kingdom).

(v) Statistical surveys on milk and milk products

422. On 20 March 1978 the Council amended Directive 72/200/EEC<sup>3</sup> with a view to improving the accuracy of the estimates of protein content of the cows' milk collected.<sup>4</sup>

(vi) New Zealand butter

423. The Council examined the report from the Commission on the application to imports of New Zealand butter<sup>5</sup> in 1977 of Protocol 18 annexed to the Act of Accession. In 1978, in view of the difficulties in the butter market the Commission did not propose any change in the price to be observed by New Zealand, at the c.i.f. stage, in respect of imports of butter from that country into the United Kingdom.

(d) *Prices*

424. On 12 May 1978 the Council fixed the target and intervention prices for the 1978/79 marketing year as shown in the table on page 200.<sup>6</sup>

<sup>1</sup> Regulation (EEC) No 300/78 of 13. 2. 1978, OJ L 45 of 16. 2. 1978.

<sup>2</sup> Regulation (EEC) No 3014/78 of 18. 12. 1978, OJ L 361 of 23. 12. 1978.

<sup>3</sup> OJ L 179 of 7. 8. 1972.

<sup>4</sup> Directive 78/320, OJ L 84 of 31. 3. 1978.

<sup>5</sup> Quantities authorized by Regulation (EEC) No 1655/76 of the Council of 29. 6. 1976, OJ L 185 of 9. 7. 1976:

- 125 000 tonnes for 1978;
- 120 000 tonnes for 1979;
- 115 000 tonnes for 1980.

<sup>6</sup> Regulation (EEC) No 998/78 of 12. 5. 1978, OJ L 130 of 18. 5. 1978.

	u.a. per 100 kg	
	1977/78 marketing year	1978/79 marketing year
(a) Target price for milk	17.35	17.70
(b) Intervention prices:		
Butter	230.95	235.72
Skimmed-milk powder	94.09	95.78
Grana Padano cheese		
— maturity: 30–60 days	223.72	231.13
— maturity: 6 months	269.34	280.48
Parmigiano Reggiano cheese		
— maturity: 6 months at least	292.57	306.03

The Council, when fixing the target and intervention prices, also amended the threshold prices for the milk and milk products sector<sup>1</sup> and the conditions of admission for certain cheeses and their nomenclature in the CCT.<sup>2</sup>

(e) *Report by the Commission on the situation in the milk and milk-products sector*

425. On 25 September 1978 the Commission presented to the Council a report on the situation in the milk and milk-products sector analysing the current situation and proposing a certain number of measures aimed at ensuring the gradual re-establishment of equilibrium in this market. At its meeting of 26 September 1978, the Council agreed to examine the report in depth and to discuss the matter further on a future occasion when it would take account of the effectiveness of the premium systems for the non-marketing of milk and milk products and for the conversion of dairy herds.

<sup>1</sup> Regulation (EEC) No 999/78 of 12. 5. 1978, OJ L 130 of 18. 5. 1978.

<sup>2</sup> Regulation (EEC) No 1000/78 of 12. 5. 1978, OJ L 130 of 18. 5. 1978.

## 7. BEEF AND VEAL

### (a) *Prices*

426. On 12 May 1978,<sup>1</sup> after twice prolonging the 1977/78 marketing year,<sup>2</sup> and after obtaining the opinions of Parliament and the Economic and Social Committee, the Council fixed the following prices for the 1978/79 marketing year:

- a guide price of 125.97 u.a./100 kg liveweight for adult bovine animals;
- an intervention price of 113.37 u.a./100 kg liveweight for adult bovine animals, thus maintaining the same differential with respect to the guide price as that adopted for the previous marketing year.

427. The Council also decided, in view of the price situation in the beef and veal market and the accumulation of intervention stocks, and thus by derogation from Article 6 of the basic Regulation, to increase the flexibility of the standing intervention arrangements so as to enable each Member State or certain regions of each Member State to suspend the intervention buying of beef and veal when it is found that their price on the representative markets of the Member State or region in question exceeds their maximum buying-in price over a certain period.

### (b) *The premium system*

#### (i) Premiums for the slaughter of certain adult bovine animals

428. On 12 May 1978,<sup>3</sup> after obtaining the opinion of Parliament and taking account of the danger of a fall in the incomes of cattle producers in view of the short-term prospects of the Community market in beef and veal, the Council once again authorized the Member States to grant these producers aid in the form of a premium for the slaughter of certain adult bovine animals of Community origin intended for slaughter, other than cows, by prolonging the term of application of Regulation (EEC) No 870/77.<sup>4</sup>

<sup>1</sup> Regulation (EEC) No 505/78, OJ L 69 of 11. 3. 1978 and Regulation (EEC) No 909/78, OJ L 117 of 29. 4. 1978.

<sup>2</sup> Regulation (EEC) No 995/78, OJ L 130 of 18. 5. 1978.

<sup>3</sup> OJ L 106 of 29. 4. 1977.

<sup>4</sup> Regulation (EEC) No 996/78 of 12. 5. 1978, OJ L 130 of 18. 5. 1978.

(ii) Premium for the birth of calves

429. On 12 May 1978,<sup>1</sup> after obtaining the opinion of Parliament, the Council authorized Italy to continue granting a premium, fixed at 35 u.a. and payable by the EAGGF in a single instalment, for every calf born in that country.

(c) *The system of trade with third countries*

430. On 20 June 1978 the Council decided, as in previous years, to open a tariff quota of 38 000 head of heifers and cows other than those intended for slaughter, certain mountain breeds falling within subheading ex 01.02 A II b) of the CCT (Austrian quota)<sup>2</sup> and 5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain Alpine breeds falling within subheading ex 01.02 A II b) 2 of the CCT (Swiss quota).<sup>3</sup>

431. On 31 October 1978 the Council also adopted a supplementary estimate of young male bovine animals weighing 300 kg or less intended for fattening.<sup>4</sup>

Hence its decision, in accordance with the provisions of Article 13 (2) of the basic Regulation, and with a view to meeting the additional needs which had become apparent in the course of the year, particularly in Italy, to increase the estimated import requirement, which had been fixed in December 1977,<sup>5</sup> by 30 000 head.

432. At its meeting of 18–19 December 1978, the Council undertook an overall review of the Community's beef and veal import requirements for 1979.

On the basis of this analysis, the Council forecast a Community deficit of some 368 000 tonnes of beef and veal in 1979, part of which could be covered by drawing on intervention stocks (which were expected to total about 265 000 tonnes at 31. 12. 1978), with the net balance being imported.

A substantial proportion (about 175 000 tonnes) of these imports are expected to be supplied in accordance with certain Community undertakings to GATT, ACP countries, or certain other

<sup>1</sup> Regulation (EEC) No 997/78 of 12. 5. 1978, OJ L 130 of 18. 5. 1978.

<sup>2</sup> Regulation (EEC) No 1374/78, OJ L 167 of 24. 6. 1978.

<sup>3</sup> Regulation (EEC) No 1375/78, OJ L 167 of 24. 6. 1978.

<sup>4</sup> OJ L 321 of 15. 11. 1978.

<sup>5</sup> OJ L 330 of 23. 12. 1977.

countries (particularly Yugoslavia and Malta) with which the Community has concluded trade agreements.

In the light of this overall situation, and after obtaining the opinion of Parliament, the Council took a number of decisions relating to the Community's import requirements.

Thus, on 18 December 1978,<sup>1</sup> after taking note of a report from the Commission on the exhaustion of the 1978 quota, the Council adopted the Regulation opening, allocating and providing for the administration of a Community tariff quota of 38 500 tonnes of frozen beef and veal for the marketing year 1979, in accordance with the undertakings given by the Community at the most recent GATT multilateral trade negotiations.

The breakdown of this quota, as in 1978, is as follows:

Benelux	4 240 tonnes
Denmark	195 tonnes
France	2 680 tonnes
Germany	7 585 tonnes
Ireland	—
Italy	11 050 tonnes
United Kingdom	12 750 tonnes

433. The Council approved the estimate of supply and demand for meat in the Community processing industry, including meat intended for the manufacture of preserved foods of the 'corned beef' type. It thus fixed the Community requirement at 60 000 tonnes.

434. The Council also fixed the estimated import requirement for young bovine animals weighing 300 kg or less and intended for fattening at 230 000 head for 1978.

435. Lastly, it decided<sup>2</sup> on 19 September 1978, pending the renegotiation of a trade agreement between the Community and Yugoslavia due to enter into force by 31 August 1978, to prolong until 31. 12. 1978 the modest reduction of the levy applicable to Yugoslavia when the full levy exceeds 100%, in conjunction with a voluntary limitation of Yugoslav exports to the average monthly quantities of such exports in 1976.<sup>3</sup>

<sup>1</sup> Regulation (EEC) No 3063/78, OJ L 366 of 28. 12. 1978.

<sup>2</sup> Regulation (EEC) No 2185/78, OJ L 258 of 21. 9. 1978.

<sup>3</sup> Regulation (EEC) No 2862/77, OJ L 330 of 23. 12. 1977.

On 4 December 1978 the Commission put before the Council a proposal for the prolongation of these arrangements until 30 June 1979.

(d) *Intervention*

436. On 20 June 1978<sup>1</sup> the Council extended the deadline laid down in Regulation (EEC) No 2453/76 for the disposal of certain categories of beef transferred to the Italian intervention agency from the intervention agencies of other Member States.

**8. SUGAR<sup>2</sup>**

(a) *Price measures*

437. When fixing agricultural prices for the 1978/79 marketing year, the Council approved an increase of about 2 % in sugar prices as from 1 July 1978.<sup>3</sup>

The following table compares the new prices with those for the previous two years:

	(Prices in u.a./100 kg)		
	1976/77 <sup>1</sup>	1977/78	1978/79
Target price for white sugar	34.87	34.56	35.25
Intervention price for white sugar	33.14	32.83	33.49
Derived intervention price for white sugar for Italy	35.70	35.36	35.09
Derived intervention price for white sugar for the French overseas departments	32.94	32.63	33.29
Derived intervention price for white sugar for Ireland and the United Kingdom	34.14	33.83	34.49
Intervention price for raw sugar	28.15	27.25	27.81
Minimum price for beet	2.457	2.543	2.594
Threshold price for white sugar	38.21	39.72	40.20
Threshold price for raw sugar	32.28	34.06	34.45
Price for molasses	3.20	3.20	3.20

<sup>1</sup> The target and intervention prices for 1976/77 take account of the storage charge.

<sup>1</sup> Regulation (EEC) No 1440/78, OJ L 173 of 29. 6. 1978.

<sup>2</sup> For isoglucose, see paragraph 382 of this Review.

<sup>3</sup> Regulations (EEC) No 1398/78 and No 1399/78, OJ L 170 of 27. 6. 1978.

438. The Council also altered the maximum quota ('A' + 'B' quota) to 127.5 % of the basic quantity ('A' quota) and fixed the coefficient for mixed prices at 2.275, with the stipulation that Member States wishing to benefit from that system should reach a decision before 30 June 1978. It also fixed the production levy for the 'B' quota at 10.05 u.a./100 kg.

439. On 24 July 1978 the Council, after consulting the countries concerned, fixed the guaranteed prices for preferential sugar for the period between 1 July 1978 and 30 June 1979 at

— 27.81 u.a./100 kg for raw sugar and

— 34.49 u.a./100 kg for white sugar.<sup>1</sup>

These prices also apply to raw cane sugar from the French overseas departments.<sup>2</sup>

440. The basic Regulation on sugar provides that where there is a difference between, on the one hand, the raw sugar refining margin used to determine the intervention and threshold prices for raw sugar and, on the other, the margin necessary for the refining of raw preferential sugar, a differential charge to be made on the latter sugar shall be fixed for the sugar marketing year in question. For the marketing year 1978/79, the Council fixed this charge at 1.69 u.a./100 kg of raw sugar.<sup>3</sup> To take account of the traditional sugar marketing arrangements in Ireland, it was decided that this charge should again not apply to raw preferential sugar refined during the 1978/79 sugar marketing year in Ireland up to a maximum quantity of 30 000 tonnes of sugar expressed as white sugar.

In the same Regulation, the Commission fixed at 1.69 u.a./100 kg of white sugar the differential amount for raw cane sugar from the French overseas departments refined in a 'pure' refinery.

441. Finally, in order to facilitate the sale of raw sugar produced in these overseas departments to the European regions of the Community and in accordance with the provisions of the basic

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<sup>1</sup> Regulation (EEC) No 1746/78, OJ L 203 of 27. 7. 1978.

<sup>2</sup> Regulation (EEC) No 1745/78, OJ L 203 of 27. 7. 1978.

<sup>3</sup> Regulation (EEC) No 1401/78, OJ L 170 of 27. 6. 1978.



Regulation on sugar, the Council, on 20 June 1978, fixed the subsidy for refining this sugar at 1.22 u.a./100 kg of white sugar.<sup>1</sup>

*(b) Procedure for implementing the common organization of the market*

442. On 20 June 1978, in line with its decisions on sugar prices, the Council adopted two Regulations on the procedure for implementing the common organization of the markets in this sector.

The first of these<sup>2</sup> amended Regulation (EEC) No 1358/77 laying down general rules for offsetting storage costs for sugar, to take account of the Decision of the Council<sup>3</sup> to extend the application of the system of compensation to sucrose syrups produced in the Community after crystallization of sugar and to syrups derived from preferential sugar.

For the second of these Regulations,<sup>4</sup> the Council carried out a general revision of the rules for the production refund on sugar used in the chemical industry, the new régime being based on equality of treatment for sugar and maize when calculating the amount of the refund and, further, updated the list of chemical products on which such refunds may be granted.

443. Finally, on 18 December 1978, the Council amended Regulation (EEC) No 1358/77<sup>5</sup> laying down general rules for offsetting storage costs for sugar, by stipulating that the levy charged to offset these storage costs should henceforth be collected, where raw sugar produced by an undertaking is refined by another undertaking established in the same Member State, when that sugar is sold, thus ensuring equality of treatment for white sugar and raw sugar. It was agreed that the Commission would look into the possibility of extending this measure to sugar entering into intra-Community trade and would forward a report on this matter to the Council, possibly accompanied by a proposal.

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<sup>1</sup> Regulation (EEC) No 1402/78, OJ L 170 of 27. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1397/78, OJ L 170 of 27. 6. 1978.

<sup>3</sup> See paragraph 373 of this Review.

<sup>4</sup> Regulation (EEC) No 1400/78, OJ L 170 of 27. 6. 1978.

<sup>5</sup> Regulation (EEC) No 3042/78, OJ L 361 of 23. 12. 1978.

## 9. WINE

### (a) *Monitoring the market situation*

444. In order to enable the Community bodies to carry out their task of monitoring trends in the wine market in the best possible way, the Commission had put before the Council in 1977 a proposal for a Regulation on statistical surveys of areas under vines.<sup>1</sup>

On 10 May 1978, after Parliament and the Economic and Social Committee had delivered their opinions on this matter, the Council adopted this Regulation.<sup>2</sup> This new instrument is designed to permit precise, uniform and simultaneous observation to be made of production and supply potential on the Community's wine markets. It will replace the total restructuring of the viticultural land register which was planned for 1979.

445. In addition, in accordance with this annual practice, the Commission forwarded to the Council the report required under Article 17 of the basic Regulation, on foreseeable trends in vine planting and replanting in the Community and on the relationship between production and utilization in the wine-growing sector during the 1977/78 wine-growing year. At its meeting of 18-19 December 1978 the Council took note of this report, which was drawn up by the Commission basically as a statistical supplement to the proposals made by this Institution with a view to the long-term reform of Community regulations in the wine sector.<sup>3</sup>

446. In addition, at its meeting of 30-31 October 1978 the Council had taken formal note of the final estimates of the market situation at the end of the preceding wine-growing year. These estimates are provided annually by the Commission under Article 43 of the basic Regulation.

### (b) *Prices system*

447. When considering agricultural prices in general for the 1978/79 wine-growing year,<sup>4</sup> on 6 June 1978<sup>5</sup> the Council fixed the different

<sup>1</sup> See 25th Review, paragraph 386.

<sup>2</sup> Regulation (EEC) No 978/78, OJ L 128 of 17. 5. 1978.

<sup>3</sup> See paragraph 383 of this Review.

<sup>4</sup> See paragraph 360 of this Review.

<sup>5</sup> Regulation (EEC) No 1299/78, OJ L 160 of 17. 6. 1978.

guide prices in the wine sector for the period between 16 December 1978 and 15 December 1979 at levels which gave a linear increase of 2 % over those of the preceding 12-month period.

448. With regard to the second category of prices concerning the wine sector, i.e. the activating prices which determine the threshold for intervention, the Council differentiated in its Regulation (ECC) No 2777/78 of 23 November 1978<sup>1</sup> between red and white wines as follows:

- for red wines there was an increase of 2 % on the respective activating prices for the preceding one-year period, the ratio between these prices and the corresponding guide prices being maintained at 93 %;
- on white wines a smaller increase was granted, viz. 0.5 %, in view of the market situation regarding these products, where there was persistent sluggishness and economic imbalance. This meant that the ratio between the two categories of prices for white wines was 91.5 %.

449. The following table illustrates the price situation in the wine sector for 1978/79.

Type of wine	Guide price 16. 12. 1978 to 15. 12. 1979	Activating price 16. 12. 1978 to 15. 12. 1979	Representative price at the beginning of 1978/79
R I: red wine with an actual alcoholic strength of between 10 % vol and 12 % vol	2.07 u.a. % vol hl	1.93 u.a. % vol hl	2.17 u.a. % vol hl
R II: red wine with an actual alcoholic strength of between 13 % vol and 14 % vol	2.07 u.a. % vol hl	1.93 u.a. % vol hl	2.01 u.a. % vol hl

<sup>1</sup> OJ L 333 of 30. 11. 1978.

Type of wine	Guide price 16. 12. 1978 to 15. 12. 1979	Activating price 16. 12. 1978 to 15. 12. 1979	Representative price at the beginning of 1978/79
R III: red wine from wine varieties of the 'Portugieser' type	32.28 u.a./hl	30.00 u.a./hl	48.01 u.a./hl
A I: white wine with an actual strength of between 10 % vol and 12 % vol	1.94 u.a. % vol hl	1.79 u.a. % vol hl	1.56 u.a. % vol hl
A II: white wine from wine varieties of the 'Sylvaner or Müller- Thurgau' type	43.02 u.a./hl	39.66 u.a./hl	35.27 u.a./hl
A III: white wine from wine varieties of the 'Riesling' type	49.12 u.a./hl	45.29 u.a./hl	47.03 u.a./hl

450. As regards the 'wine deliveries' system (under which by-products of wine making must be distilled) the Council adopted Council Regulation (EEC) No 1863/78 dated 25 July 1978<sup>1</sup> which, in connection with the new system of prices for the different types of alcohol,<sup>2</sup> lays down the following prices for this system:

- 0.58 u.a./°/hl for the buying-in price to producers;
- 0.93 u.a./°/hl for the flat-rate price for alcohol from any source (marcs, lees or wine);
- 0.96 u.a./°/hl for the price of alcohol from grape marcs;
- 0.90 u.a./°/hl for the price of alcohol from lees or wine.

These prices are valid for the period between 1 September 1978 and 31 August 1979.

(c) *Intervention system*

451. As regards details of implementing the intervention system in the wine-growing sector, it will be recalled that in 1978 a further

<sup>1</sup> OJ L 215 of 4. 8. 1978.

<sup>2</sup> See paragraph 452 of this Review.

amendment to Regulation (EEC) No 1931/76 on general rules for distilling operations<sup>1</sup> was put before the Council.

On the basis of a proposal from the Commission the Council decided to adopt Regulation (EEC) No 2609/78 of 30 October 1978,<sup>2</sup> which introduces some flexibility in the rules governing the system of allocating aid to distillers, in the light of practical experience. This Regulation laid down that aid should continue to be paid on the basis of the quantity of wine actually distilled as distinct from the quantity indicated in the distillation contract but that a margin of  $\pm 10\%$  of this quantity should be permitted. Nevertheless, this provision does not apply to non-compulsory distillation operations, such as preventive distillation, distillation following a 'performance guarantee', etc.

In addition the aid is also calculated on the quantity of wine actually distilled when, for fortuitous reasons or reasons of *force majeure* it has not been possible to distil the full quantity of wine indicated in the contract. These provisions apply retrospectively to distillation contracts for 1976/77, and solely to contracts relating to the 1978/79 wine-growing year, since the Council undertook to review this question before the end of this wine-growing year and to take decisions at the same time on the other points in the Commission's proposal.

Study of these points will be continued in 1979, also in connection with the amendments under study relating to basic Community arrangements in the wine sector.<sup>3</sup> These comprise a complete review of the rules relating to the different distillation instruments, in view of a number of economic, technical and legal factors which arose in the early years of implementing Regulation (EEC) No 1931/76.

#### (d) *Production system*

452. In view of the experience gained in implementing the 'wine deliveries' system laid down in Article 24 of the basic Regulation, the Council amended Regulation (EEC) No 1930/76, which contains general rules governing this system, with a view to making it possible to fix at the same time a price for alcohol from wine deliveries on a

<sup>1</sup> See 24th Review, paragraph 341.

<sup>2</sup> OJ L 315 of 9. 11. 1978.

<sup>3</sup> See paragraph 383 of this Review.

flat-rate basis and also a number of different prices depending on the origin of the raw material distilled. Member States are free to apply whichever pricing system is more appropriate to their own production system.

This amendment was embodied in Regulation (EEC) No 1862/78, which was adopted on a proposal from the Commission on 25 July 1978.<sup>1</sup>

453. On 18 December 1978,<sup>2</sup> in the absence of a Community organization for alcohol<sup>3</sup> and of provisions regarding the production of flavoured wines, the Council extended until 31 December 1979 the period of validity of the provisions of Regulation (EEC) No 1876/74.<sup>4</sup> These mainly concern the authorization – notwithstanding Article 25 of the basic Regulation on wine – to add alcohol to grape musts and wines intended for the preparation of flavoured wines.

*(e) Checks on adherence to Community and national provisions in the wine sector*

454. The Council completed the work begun in 1977<sup>5</sup> by adopting on 19 June 1978 the rules allowing direct cooperation of the bodies in the Member States which are concerned with adherence to Community and national laws in the sphere of wine growing.<sup>6</sup>

These new rules are designed to contribute to the uniform application of these provisions, and the main features are an exchange of information among the competent bodies concerned regarding both confirmed and suspected contraventions, provision for requests of assistance from a qualified expert from another Member State, checks on viticultural registers and documents, provision for the sending of samples for analysis in an official laboratory in another Member State, involvement of the Commission in the research and information activities provided for by these rules, and regular discussions between the representatives of the bodies concerned at meetings arranged by the Management Committee for Wine.

<sup>1</sup> OJ L 215 of 4. 8. 1978.

<sup>2</sup> Regulation (EEC) No 3044/78, OJ L 361 of 23. 12. 1978.

<sup>3</sup> See paragraph 372 of this Review.

<sup>4</sup> See 22nd Review, paragraph 317.

<sup>5</sup> See 25th Review, paragraph 439.

<sup>6</sup> Regulation (EEC) No 1439/78, OJ L 173 of 29. 6. 1978.

455. In addition, in the sphere of direct cooperation among the national bodies, a proposal for a Regulation was forwarded to the Council in 1978 which would also encourage this kind of cooperation on the downgrading of quality wines p.s.r. consigned from the producer Member State to another Member State.

The study of this proposal will continue in 1979 with a view to a discussion on the matter during the first quarter of the year.

(f) *Luxembourg Protocol*

456. Harmonization of taxes on wines in the Community had not been achieved by 31 December 1978, and the application of the specific provisions of the Luxembourg Convention on the Economic Union of Belgium and Luxembourg in favour of Luxembourg wines continued to contribute to the agricultural income of the Grand Duchy of Luxembourg. In its Regulation (EEC) No 3043/78 of 18 December 1978 the Council therefore extended for a further year the period of validity of the provisions of the second subparagraph of Article 1 (1) of the Protocol in the Grand Duchy of Luxembourg.<sup>1</sup> These provisions thus remain applicable until the entry into force of the provisions relating to the harmonization of excise duties on wine in the Community, or until 31 December 1979 at the latest.

## 10. FRESH FRUIT AND VEGETABLES

Prices and marketing premiums for the 1978/79 marketing year

457. The basic and buying-in prices for the nine products covered by the common price system, the marketing premiums for oranges, mandarins, clementines and lemons, and the basic and buying-in prices for cauliflowers (fixed separately by the Council for May 1978)<sup>2</sup> were increased by the same margin as that fixed by the Council for the other products in this sector, i.e. approximately 2%.<sup>3</sup>

<sup>1</sup> OJ L 361 of 23. 12. 1978.

<sup>2</sup> Regulation (EEC) No 911/78, OJ L 117 of 29. 4. 1978.

<sup>3</sup> Regulation (EEC) No 1123/78, OJ L 142 of 30. 5. 1978.

## 11. PROCESSED FRUIT AND VEGETABLES

Production aid for pineapples for the 1978/79 marketing year

458. On 24 July 1978,<sup>1</sup> the aid payable to producers of tinned pineapples, particularly in Guadeloupe and Martinique, with a view to strengthening their competitive position, together with the minimum price which the beneficiaries of this aid must pay to producers of fresh pineapples, were fixed by the Council at levels 4 % higher (production aid) and 2.5 % higher (minimum price) than those for the previous marketing year.

## 12. NURSERY PRODUCTS

### (a) *Monitoring of quality standards*

459. Under the Regulations in force, products of this sector exported from one Member State to another must conform with the relevant quality standards. In the case of fresh cut flowers, the monitoring of compliance with these standards has given rise to legal problems when effected during transit. On 18 December 1978, to alleviate the problem, the Council amended the procedure to provide a sound legal basis for inspection during transport.<sup>2</sup>

### (b) *Imported roses and carnations*

460. The Council also took note of a report, which the Commission had put before it on 31 December 1977, regarding the conditions of importation into the Community of roses and carnations from third countries.

## 13. VEGETABLE OILS

### (a) *Colza, rape seed and sunflower seeds*

461. On 6 June 1978, when fixing the prices of agricultural products for the 1978/79 marketing year, the Council decided to increase the prices of colza and rape seeds by 4 % and 5 % respectively, as

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<sup>1</sup> Regulation (EEC) No 1768/78, OJ L 204 of 28. 7. 1978.

<sup>2</sup> Regulation (EEC) No 2991/78 of the Council of 18.12.1978, OJ L 357 of 21. 12. 1978.



compared with the previous marketing year.<sup>1</sup> These upward adjustments, which exceeded the average for agricultural products as a whole, were intended to encourage the cultivation of these seeds in the Community. The following table shows the price trend in relation to the two previous years:

Products	1976/77 marketing year	1977/78 marketing year	1978/79 marketing year
Target price (u.a./100 kg)			
— Colza and rape seeds	27.57	28.53	29.67
— Sunflower seeds	28.63	30.78	32.32
Basic intervention price (u.a./100 kg)			
— Colza and rape seeds	26.77	27.71	28.82
— Sunflower seeds	27.80	29.89	31.38

On the same occasion, on the basis of the cost of storage and the interest charges recorded in the Community, the Council fixed the amounts of the monthly increases in the target and intervention prices for these products.<sup>2</sup>

On 20 June 1978, the Council decided<sup>3</sup> to maintain the principal intervention centres for oil seeds and the price differentials fixed in 1977/78, these derived intervention prices being amended in line with the increase that had been approved in respect of the basic intervention prices.

462. On 24 April 1978, as it had announced the previous year,<sup>4</sup> the Council amended Regulation (EEC) No 2114/78 on the subsidy for oil seeds<sup>5</sup> by laying down that for the period between 1 July 1979 and 30 June 1982 the subsidy for colza and rape seeds should be granted only for seeds with a low erucic acid content, save where these are intended for non-food uses. This reflects the Council's aim of

<sup>1</sup> Regulation (EEC) No 1291, OJ L 160 of 17. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1292, OJ L 160 of 17. 6. 1978.

<sup>3</sup> Regulation (EEC) No 1420, OJ L 171 of 28. 6. 1978.

<sup>4</sup> See 25th Review, paragraph 447.

<sup>5</sup> Regulation (EEC) No 851/78, OJ L 116 of 28. 4. 1978.

<sup>6</sup> Regulation (EEC) No 852/78, OJ L 116 of 28. 4. 1978.

supporting the efforts of producers already growing seeds with a low erucic acid content and of encouraging other producers to do likewise. Before 1 May 1982, the Commission will put before the Council a report on varietal conversion in the Community.

463. On the same occasion, the Council amended Regulation (EEC) No 1569/72 laying down special measures for colza and rape seed, by stipulating that colza and rape seed harvested in a Member State may be offered for intervention only within the same Member State, a measure which had to be taken to avoid disturbance of the market as a result of the non-application of monetary compensatory amounts in the case of trade in colza and rape seed harvested in Denmark and the United Kingdom during the period of gradual harmonization of the intervention prices applicable in these two Member States.

464. When the Council was fixing agricultural prices for the 1978/79 marketing year, the Commission announced on the occasion of the discussion of the oil-seeds sector that it intended to examine the possibility of granting aid for degerming maize. Such a measure would be particularly advantageous to the factories established in Italy, in that it would partly compensate for the difficulties experienced in that country in obtaining supplies of other varieties of oil seeds. On 5 July 1978 the Commission put before the Council a proposal for a regulation introducing, for a period of three years, a system of aid for degerming maize for the production of maize germ oil. This aid would be payable over the entire period, and would be fixed at 1.7 u.a./100 kg of maize germ.

The Council's departments are currently examining this proposal in detail (particularly from the standpoint of its possible consequences for the oil-seeds sector as a whole) to enable the Council to take a decision on this subject at the earliest possible juncture.

(b) *Olive oil*

465. In the second half of 1978, following the adoption of the new common arrangements for olive oil,<sup>1</sup> the Council revised the implementing rules it had laid down for this sector.

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<sup>1</sup> See paragraph 396 of this Review.

466. Firstly, on 23 November 1978, acting on a proposal from the Commission and after having obtained, where necessary, the opinion of Parliament, the Council adopted five Regulations<sup>1</sup> in the following fields:

- special measures regarding olive-oil producer organizations.<sup>2</sup> In the absence of detailed rules for the implementation of the system of agricultural producer groups,<sup>3</sup> and in view of the important role assigned to these groups by the new basic Regulation on olive oil (particularly) from the standpoint of management of the system of production aid) these measures are in the form of derogations limited to the 1978/79 marketing year, their aim being to enable producers to form organizations able to provide adequate guarantees of completion of the operations to be carried out in connection with the abovementioned system of aid;
- general rules in respect of production aid for olive oil.<sup>4</sup> The application of this Regulation is also limited to the 1978/79 marketing year, in line with the temporary nature of the special measures in respect of olive-oil producer organizations; it replaces Regulation (EEC) No 3209/73, based on the previous common arrangements for the olive-oil sector which expired at the end of the 1977/78 marketing year;
- general rules for fixing the import levy on olive oil by tender;<sup>5</sup> these arrangements reimpose the general rules in force up to the end of the 1977/78 marketing year based on Regulations (EEC) Nos 2843/76 and (EEC) 2844/76;<sup>6</sup>
- rules regarding intervention in the olive-oil sector.<sup>7</sup> This Regulation fixes, in particular, the conditions on which the intervention

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<sup>1</sup> OJ L 331 of 28. 11. 1978.

<sup>2</sup> Regulation (EEC) No 2752/78, OJ L 331 of 28. 11. 1978.

<sup>3</sup> These rules are to be laid down by the Commission in application of Regulation (EEC) No 1360/78 of the Council of 19. 6. 1978, OJ L 166 of 23. 6. 1978 (see paragraph 498 of this Review).

<sup>4</sup> Regulation (EEC) No 2753/78, OJ L 331 of 28. 11. 1978.

<sup>5</sup> Regulation (EEC) No 2751/78, OJ L 331 of 28. 11. 1978.

<sup>6</sup> See 24th Review, paragraph 366.

<sup>7</sup> Regulation (EEC) No 2754/78, OJ L 331 of 28. 11. 1978.

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agencies designated by the Member States are to buy in oil and put the latter up for sale; it replaces Regulation No 164/66/EEC;

- rules on trade in oils and fats between the Community and Greece.<sup>1</sup> This Regulation maintains the provisions adopted in 1966,<sup>2</sup> amended to bring them into line with the amendments made in the basic Regulation on oils and fats in so far as the olive-oil sector is concerned.

467. On 19 December 1978, the abovementioned arrangements were supplemented by a sixth Regulation laying down general rules in respect of aid for the consumption of olive oil<sup>3</sup> and setting forth the implementing rules in respect of the granting, administration and checking of this aid.

468. All these Regulations entered into force on 1 January 1979, following the prolongation of the 1977/78 marketing year.<sup>4</sup>

469. In the general context of the common price system applicable to olive oil for the 1978/79 marketing year, the Council, on the basis of the new arrangements for this sector<sup>5</sup> and acting on proposals from the Commission, adopted a series of Regulations fixing the following prices for the marketing year in question:

- the production target price, the production aid and the intervention price for olive oil;<sup>5</sup>
- the representative market price, the threshold price and the percentage of the consumption aid to be used for promoting the consumption of olive oil in the Community,<sup>6</sup>
- finally, the monthly increases in the representative market price, the intervention price and the threshold price for olive oil.<sup>7</sup>

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<sup>1</sup> Regulation (EEC) No 2749/78, OJ L 331 of 28. 11. 1978.

<sup>2</sup> Regulation No 162/66/EEC, OJ L 197 of 29. 10. 1966.

<sup>3</sup> Regulation (EEC) No 3089/78, OJ L 369 of 29. 12. 1978.

<sup>4</sup> See paragraph 396 of this Review.

<sup>5</sup> Regulation (EEC) No 1563/78 of 29. 6. 1978, OJ L 185 of 7. 7. 1978.

<sup>6</sup> Regulation (EEC) No 3088/78 of 19. 12. 1978, OJ L 369 of 29. 12. 1978.

<sup>7</sup> Regulation (EEC) No L 1564/78 of 29. 6. 1978, OJ L 185 of 7. 7. 1978.

The table below shows the trend of the main elements of the system of olive-oil prices since the 1976/77 marketing year:

Prices u.a./100 kg	1976/77 marketing year	1977/78 marketing year	1978/79 marketing year		
			1. 1. 79– 31. 3. 79	:	1. 4. 79– 31. 10. 79
Production target price	185.00	187.78		196.54	
Market target price	144.89	141.91	142.43 <sup>1</sup>	:	120.78 <sup>1</sup>
Intervention price	137.64	134.62		141.41	
Threshold price	141.89	138.91	145.43	:	119.44
Production aid	40.11	45.87		43.11	
Marketing aid	—	—	—	:	27.65 <sup>2</sup>

<sup>1</sup> Representative market price.

<sup>2</sup> Including 6% to be allocated to sales promotion.

470. The standard amount for unprocessed olive oil imported from Greece was maintained at the level fixed for the previous marketing year.<sup>1</sup>

(c) *Castor seeds*

471. On 1 October 1978, as indicated in the 25th Review,<sup>2</sup> the Council introduced a system of aid for the growing of castor seeds, for a period of six marketing years, this aid being granted for castor seeds harvested and processed in the Community when the Community guide price is higher than the world market price for this product. The Council, on 25 July 1978, laid down the general rules<sup>3</sup> in connection with special measures for castor seeds and, on the occasion of its general discussions of agricultural prices for the 1978/79 marketing year, fixed the guide price<sup>4</sup> and the minimum price<sup>5</sup> for castor seed at 42 u.a./100 kg and 40 u.a./100 kg respectively.

<sup>1</sup> Regulation (EEC) No 2750/78, OJ L 331 of 23. 11. 1978.

<sup>2</sup> See 25th Review, paragraph 358.

<sup>3</sup> Regulation (EEC) No 1853/78, OJ L 212 of 2. 8. 1978.

<sup>4</sup> Regulation (EEC) No 1296/78, OJ L 160 of 17. 6. 1978.

<sup>5</sup> Regulation (EEC) No 1297/78, OJ L 160 of 17. 6. 1978.

(b) *Linseed*

472. For the 1978/79 marketing year the Council decided to fix the guide price for linseed at 32.43 u.a./100 kg,<sup>1</sup> representing an increase of 4% compared with the previous year. This increase, which is marginally higher than the upward adjustment of the prices of competing oil seeds, is intended, following the discontinuation of the minimum aid system, to revive the growers' interest in this crop and thus to counteract any tendency for the area under cultivation to fall below the level recorded in 1977.

(e) *Cotton seed*

473. On 6 June 1978, the Council fixed the level of the production aid for cotton seed at 108.70 u.a./ha.<sup>2</sup> In combination with the agri-monetary measures adopted in respect of the Italian lira, this increase of 4% on the figure fixed for the previous year should maintain the growers' interest in this relatively small crop mainly grown in Italy.

#### 14. PROTEINS

(a) *Dehydrated fodder*

474. On 22 May 1978, in the framework of the new common organization of the market in dehydrated fodder,<sup>3</sup> the Council fixed the flat-rate production aid and the guide price for dried fodder for the 1978/79 marketing year, together with the other elements entering into the calculation of the supplementary aid for the eligible products.<sup>4</sup>

(b) *Peas and field beans*

475. On 22 May 1978, after laying down special measures for peas and field beans,<sup>5</sup> the Council fixed the activating price for aid for these products at 28.50 u.a./100 kg for the 1978/79 marketing year and the

<sup>1</sup> Regulation (EEC) No 1293, OJ L 160 of 17. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1295/78, OJ L 160 of 17. 6. 1978.

<sup>3</sup> See paragraph 399 of this Review.

<sup>4</sup> Regulation (EEC) No 1118/78, OJ L 142 of 30. 5. 1978.

<sup>5</sup> See paragraph 371 of this Review.

minimum purchase price to be paid by producers of animal feed, under the aid system, at 17.50 u.a./100 kg.<sup>1</sup>

(c) *Soya beans*

476. On 6 June 1978, in the context of its general compromise policy on agricultural prices for the 1978/79 marketing year, the Council, in view of the need to ensure a reasonable income for producers while meeting the supply requirements of the Community, fixed the guide price for soya beans at 32.17 u.a./100 kg,<sup>2</sup> thus increasing it to about 5% above the previous year's level.

## 15. HOPS

### *Production aid*

477. On 4 April 1978<sup>3</sup> the Council, invoking the provision of the amended basic Regulation on hops<sup>4</sup> laying down that, in certain regions of the Community, production aid may be granted only to recognized producer groups which ensure a fair income to their members and achieve rational management of supply, fixed the list of regions benefiting from this measure, i.e. Bavaria, Baden-Württemberg, Rheinland-Pfalz and Ireland, on the basis of communications from the Member States concerned.

On 24 April 1978,<sup>5</sup> after consulting Parliament, the Council fixed the amounts of aid to be granted to hop producers for the 1977 harvest in accordance with the new formula laid down in the amended basic Regulation, i.e. on the basis of groups of varieties, as indicated below:

- 375 u.a./ha for aromatic varieties;
- 285 u.a./ha for bitter varieties;
- 500 u.a./ha for other varieties.

As in the previous year, however,<sup>6</sup> the Council ruled that new plantings in their first year of production were not eligible for

<sup>1</sup> Regulation (EEC) No 1120/78, OJ L 142 of 30. 5. 1978.

<sup>2</sup> Regulation (EEC) No 1294/78, OJ L 160 of 17. 6. 1978.

<sup>3</sup> See 25th Review, paragraph 392.

<sup>4</sup> Regulation (EEC) No 708/78, OJ L 94 of 8. 4. 1978.

<sup>5</sup> Regulation (EEC) No 853/78, OJ L 116 of 28. 4. 1978.

<sup>6</sup> See 24th Review, paragraph 457.

Community aid. This measure was intended to discourage any increase in the area under hops and to contribute to the re-establishment of equilibrium in the market for this product, which is still characterized by low prices resulting from persistent structural surpluses.

## 16. TOBACCO

### *Prices and premiums for the 1978/79 marketing year*

478. On 8–12 May 1978, the Council fixed the norm prices, intervention prices, derived intervention prices and premiums payable to purchasers of Community tobacco for the 14 varieties harvested in the Community,<sup>1</sup> the prices of the majority of these tobaccos being raised by about 2 % in comparison with the previous year, in line with the upward adjustment for other agricultural products.

The premiums were increased by about 3 %, in accordance with the criteria laid down for this purpose.

For the 'oriental' varieties, however, the rise in prices and premiums was considerably less (0-1 %) than the figure quoted above. The reason lies in the persistent imbalance between supply and demand for these varieties, a state of affairs to which the Council's attention was drawn, in particular, by a report placed before it by the Commission in 1978, of which it has taken note.

## 17. SEEDS

### *Production aid for the 1978/79 and 1979/80 marketing years*

479. On 19 June 1978, after obtaining the opinion of Parliament and the Economic and Social Committee, the Council fixed the amounts of aid for this sector.<sup>2</sup>

For the reasons already mentioned,<sup>3</sup> the aid is fixed for two consecutive marketing years and is applicable to oleaginous and fibrous plants (3 varieties), to grasses (13 varieties) and to légumes

<sup>1</sup> Regulation (EEC) No 1348/78, OJ L 165 of 22. 6. 1978.

<sup>2</sup> Regulation (EEC) No 1347/78, OJ L 165 of 22. 6. 1978.

<sup>3</sup> See paragraph 394 of this Review.



(9 varieties). The amounts fixed for the different varieties of seeds range between 4 and 33 u.a./100 kg depending on the current situation and foreseeable trend of prices in the market in question.

The increase in the level of aid, compared with the previous year, is marginally greater in the seed sector than the average adopted by the Council, because these aids will remain in force until the end of 1979/80 marketing year.

## 18. TEXTILE FIBRES AND SILKWORMS

### (a) *Flax and hemp*

480. In the course of its general discussion of agricultural prices for the 1978/79 marketing year,<sup>1</sup> the Council fixed the amounts of aid for flax and hemp as follows:<sup>2</sup>

- 202.55 u.a./ha for flax (compared with 194.76 u.a./ha for the previous year);
- 183.96 u.a./ha for hemp (compared with 176.88 u.a./ha for the previous year).

### (b) *Silkworms*

481. The aid for the 1978/79 marketing year was fixed by the Council<sup>3</sup> at 55 u.a. per box of silkworm eggs used (compare with 40.20 u.a. for the previous year).

## 19. FISHERIES

482. On 5 December 1978 the Council fixed the prices for the 1979 fishing year (which coincides with the calendar year), i.e. the guide prices for fresh<sup>4</sup> and frozen<sup>5</sup> products, the intervention prices for

<sup>1</sup> See paragraph 360 of this Review.

<sup>2</sup> Regulation (EEC) No 1275/78, OJ L 157 of 15. 6. 1978.

<sup>3</sup> Regulation (EEC) No 1121/78, OJ L 142 of 30. 5. 1978.

<sup>4</sup> Regulation (EEC) No 2904/78, OJ L 347 of 12. 12. 1978.

<sup>5</sup> Regulation (EEC) No 2905/78, OJ L 347 of 12. 12. 1978.

sardines and anchovies<sup>1</sup> and the production price for tunny intend for the canning industry.<sup>2</sup>

In the frozen products sector, the Council decided to subdivide the classification of squid species to take better account of the current situation in the market. This involved the amendment of Annex II of the basic Regulation<sup>3</sup> (Regulation No 100/76).

Prices for fresh fishery products were adjusted by percentages ranging between - 3.7 % and + 5 %, depending on the species, as shown in the following comparative table:

	1976 in u.a./tonne	1977 in u.a./tonne	1978 in u.a./tonne	1979 in u.a./tonne
Cod	535	572	606	613
Saithe	306	327	345	357
Haddock	399	427	453	462
Herring	227	247	259	259
Whiting	426	456	479	479
Mackerel	221	221	221	221
Plaice	522	569	603	580 <sup>1</sup> 621 <sup>2</sup>
Redfish	478	502	512	510
Shrimps	1 076	1 001	1 011	1 011
Anchovies	432	441	441	425
Atlantic sardines	440	440	440	440
Mediterranean sardines	274	288	300	306
Hake	1 120	1 232	1 306	1 370

<sup>1</sup> From 1. 1. 1979 to 31. 3. 1979.

<sup>2</sup> From 1. 4. 1979 to 31. 12. 1979.

<sup>1</sup> Regulation (EEC) No 2906/78, OJ L 347 of 12. 12. 1978.

<sup>2</sup> Regulation (EEC) No 2907/78, OJ L 347 of 12. 12. 1978.

<sup>3</sup> Regulation (EEC) No 2903/78, OJ L 347 of 12. 12. 1978.

## **D – Trade arrangements**

### **GOODS NOT COVERED BY ANNEX II OF THE TREATY AND RESULTING FROM THE PROCESSING OF AGRICULTURAL PRODUCTS**

483. At the end of 1977 the Commission put before the Council two proposals concerning Regulations relating to goods resulting from the processing of agricultural products and not covered by Annex II of the Treaty.<sup>1</sup> Thus, on 23 January 1978, after consulting Parliament, the Council adopted the Regulation amending Regulations (EEC) No 1059/69, (EEC) No 1060/69 and (EEC) No 2682/72 on the trade arrangements for these products<sup>2</sup> in order to take account of minor amendments which had been made to the CCT on 1 January 1978 and also to specify the notional quantities of maize used to calculate the variable component of the import levy.

The second Regulation, on granting export refunds on the isoglucose contained in processed goods, was adopted by the Council on 4 April 1978.<sup>3</sup>

## **E – Structural policy**

### **1. THE MEDITERRANEAN**

484. With the aim of improving the situation in agriculture in the Community's Mediterranean regions, at the end of 1977 the Commission had proposed a series of measures to the Council regarding the agricultural structures in these regions, where there is inadequate general economic development and where, as regards agriculture, productivity is low and the farms are too small.

Amongst the decisions made when fixing the 1978/79 agricultural prices the Council adopted an initial series of structural policy measures as described below.

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<sup>1</sup> See 25th Review, paragraph 465.

<sup>2</sup> Regulation (EEC) No 152/78, OJ L 23 of 28. 1. 1978.

<sup>3</sup> See paragraph 382 of this Review and Regulation (EEC) No 707/78, OJ L 94 of 8. 4. 1978.

- (a) *Regulation (EEC) No 1361/78 amending Regulation (EEC) No 355/77 on common measures to improve the conditions under which agricultural products are processed and marketed*<sup>1</sup>

485. At its meeting of 23 June 1978 the Council adopted this Regulation, which provides for greater amounts of aid and a higher rate of contribution by the EAGGF for the regions in the Mezzogiorno and the South of France in order to attain the aims of Regulation No 355/77.<sup>2</sup>

For projects in the Mezzogiorno the subsidy from the EAGGF must not exceed 50 %, and the financial contribution from the beneficiary must be at least 25 %.

For projects in the regions of Languedoc-Roussillon and wine projects in the departments of Vaucluse, Bouches-du-Rhône, Var Ardèche and Drôme the financial contribution from the beneficiary must be at least 35 % and the EAGGF grant not more than 35 %.

The granting of aid at these higher rates represents a total increase of 210 million u.a. over the amount initially allocated for implementing Regulation (EEC) No 355/77.

- (b) *Regulation (EEC) No 1760/78 on a common measure to improve public amenities in certain rural areas*<sup>3</sup>

486. At its meeting of 24-25 July 1978 the Council adopted the above Regulation with a view to encouraging by means of Community aid the provision of electricity and potable water supplies and a proper rural road network.

This aid may be granted to the regions mentioned in Council Directive 75/268/EEC on mountain and hill farming and farming in certain less-favoured areas<sup>4</sup> and in other less-favoured areas in Italy, particularly the Mezzogiorno, and in the South of France.

Under this Regulation the EAGGF would contribute 40 % and the beneficiary and the Member State concerned should contribute at least 10 % and 20 % respectively.

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<sup>1</sup> OJ L 166 of 23. 6. 1978.

<sup>2</sup> See 24th Review, paragraph 390, and 25th Review, paragraph 470.

<sup>3</sup> OJ L 204 of 28. 7. 1978.

<sup>4</sup> OJ L 128 of 28. 4. 1975.

The estimated total cost to the EAGGF of this common measure is 125 million u.a. over five years.

- (c) *Directive 78/627/EEC on the programme to accelerate the restructuring and conversion of vineyards in certain Mediterranean regions in France*<sup>1</sup>

487. The aim of this measure is to encourage improvements in the quality of the production in the Languedoc-Roussillon region, and also the conversion to other crops of areas whose suitability for wine-growing is not well established. It should be noted that Community funds can be used only under a programme which is put forward by France and which applies to all the areas requiring restructuring and the conversion of areas planted with vines in the regions concerned.

The restructuring measure involves a flat-rate expenditure of 2 600 u.a. per hectare restructured – 35 % of which will be reimbursed by the EAGGF (Guidance Section) – up to a maximum of 66 000 ha, 44 000 of which are in the Languedoc-Roussillon region. The conversion measure affects 33 000 ha, 22 000 of which are in Languedoc-Roussillon. The EAGGF will reimburse 35 % of the cost of the necessary collective irrigation schemes. In addition a degressive conversion grant will be payable, with the EAGGF contributing 50 %. The eligible expenditure on these two projects must not exceed 2 000 u.a. per hectare. The total estimated share of the cost of the common measure chargeable to the Community budget is 105 million u.a. over the full period of five years.

- (d) *Regulation (EEC) No 1362/78 on the programme for the acceleration and guidance of collective irrigation works in the Mezzogiorno*<sup>2</sup>

488. The aim of this common measure is to increase agricultural incomes in the Mezzogiorno by improving the basic agricultural structures, which will permit agricultural holdings to be modernized under a framework programme and special programmes covering collective irrigation operations using reservoirs and main channels, thereby facilitating implementation in the irrigation areas of

<sup>1</sup> OJ L 206 of 29. 7. 1978.

<sup>2</sup> OJ L 166 of 23. 6. 1978.

development plans within the meaning of Directive 72/159/EEC, while adapting production to market requirements.

Aid from the EAGGF is fixed at 50 % of the cost of carrying out the public water engineering works, with an upper limit of 200 000 irrigable hectares and 3 000 u.a. per hectare irrigated. Aid from the EAGGF will cover 50 % of the remuneration of the advisory officers appointed to advise the farmers, and the expenses related to their activities, up to a maximum of 12 000 u.a. per advisory officer.

The estimated share of the cost of the measure to be borne by the EAGGF is 260 million u.a. for the period of five years.

489. At its meeting of 18-19 December 1978 the Council reached agreement in principle on a second series of structural measures concerning the Mediterranean regions, and these measures will probably be formally adopted in January 1979. While giving its assent in principle, the Council nevertheless decided that these measures would not be applicable until it had taken a decision on the Commission's proposal to amend Regulation (EEC) No 729/70 on the financing of the EAGGF (Guidance Section).

The measures in question are as follows:

- (i) Proposal for a Council Regulation on a forestry common measure in certain dry Mediterranean areas of the Community

490. The aim of this common measure is that the Community should take action in the forestry sector to improve the geophysical and growing conditions where these are unfavourable for agriculture, with particular regard to soil and water conservation.

This common measure concerns afforestation projects, improvement of poor quality forests and other necessary additional measures.

50 % of the cost of carrying out these projects will be provided by the EAGGF, the minimum financial contribution from each State will be 40 % of the cost and that of the owner of the land in general at least 5 %.

The estimated cost of this common action to be borne by the EAGGF is 184 million u.a. for a period of five years.

(ii) Proposal for a Council Regulation on the development of agricultural advisory services in Italy

491. The aim of this common action is to ensure that Italian farmers have constant access to information and guidance services in the agricultural sectors. This action is based on the training and deployment of advisory officers.

The EAGGF will reimburse the Italian Republic with the cost of training and employing advisory officers. The grant for training will be a maximum of 6 million u.a. while the costs of employing the advisory officers will be reimbursed at the rate of 50 % for the Mezzogiorno and 40 % for the other regions.

The estimated total cost of this common measure is 66 million u.a. over a period of 12 years.

(iii) Proposal for a Directive on the flood control programme in the valley of l'Hérault

492. With a view to improving the agricultural situation in the valley of l'Hérault by water-engineering works for flood control, and in particular with a view to creating the conditions required for converting vineyards to other crops and to facilitate the implementation of development plans, the aim of this common measure is to protect this valley from floods by constructing an impounding dam and embankments.

The Community funds must be used under a programme, put forward by France which covers all the flood control measures in the region concerned. Expenditure on constructing the impounding dam and embankments will then be eligible for reimbursement by the EAGGF up to a sum of 23 million EUA. The proportion of the EAGGF share is fixed at 35 %.

The total estimated cost of the common measure to be borne by the Community budget is 9 million EUA for a period of seven years.

(iv) Proposal for a Directive on a programme for the acceleration and guidance of collective irrigation works in Corsica

493. The aim of this common action is to accelerate collective irrigation works and promote improved production patterns, thus

increasing agricultural revenue in Corsica by improving basic agricultural structures, in such a way that farms can be modernized.

The Community funds must be used under a programme, put forward by France, covering all the areas concerned which are to be irrigated. The expenditure incurred by France is then eligible for reimbursement by the EAGGF subject to an upper limit of 12 000 ha irrigated and a total sum of 24 million EUA.

The share of eligible expenditure to be borne by the EAGGF is fixed at 50 %. However, the eligible expenditure must not exceed 3 000 u.a. per hectare irrigated.

The estimated total cost of the common measure to be borne by the Community budget is 12 million EUA over the period of five years.

## 2. OTHER MEASURES

### (a) *Revision of existing Directives*

494. At the same time as the Commission's proposals regarding *ad hoc* measures in certain regions of the Mediterranean, the West of Ireland and Northern Ireland<sup>1</sup> were being studied a detailed discussion was held in the various subordinate bodies of the Council on the advisability of amending the present structural common policy, and in particular the 1972 and 1975 Directives on the modernization of farms, cessation of agricultural activity, social and economic information, mountain areas and less-favoured areas.<sup>2</sup>

495. In addition to its proposals for amending these texts for introducing new common measures, the Commission forwarded to the Council the second report on the implementation of existing structural Directives.

However, discussions have so far been inconclusive. It has become apparent that when the problems are analysed certain basic questions arise, regarding in particular the way in which the objectives of the structural policy can be pursued under present economic and

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<sup>1</sup> See paragraph 499 of this Review.

<sup>2</sup> Directives 72/159/EEC, 72/160/EEC, 72/161/EEC and 75/268/EEC, OJ L 96 of 23. 4. 1972 and L 128 of 19. 5. 1975.



social conditions, and also the way in which the very different situations in the various Member States should be taken into account.

The Council intends to continue this work on the basis of new proposals which the Commission will forward to it in the first half of 1979.

So as not to prejudge any new guidelines which might emerge from the study as regards the basis of the structural policy the Council confined itself in 1978 to amending certain provisions of Directive 72/159/EEC to resolve specific problems which had arisen in certain Member States.

The Council therefore adopted the Commission's proposal which allows Member States to continue, up to 31 December 1979, to grant national aid, under Article 14 (2) of Directive 72/159/EEC, to farms which are unable to put forward a development plan and which are not yet entitled to aid on the cessation of activity as provided for under Directive 72/160/EEC. It also enables Member States to vary the level of the grant provided for in Article 10, which is designed to steer farms towards the production of beef, veal, mutton and lamb.<sup>1</sup>

496. In addition a specific Decision which concerns Italy alone was adopted by the Council on a proposal from the Commission. This concerns the extension to 31 December 1979 of the authorization to increase the interest subsidy which can be granted for investments made under a development plan. This Decision takes account of the continuous rise in interest rates in Italy, which is a serious obstacle to implementation of the measures provided for in Directive 72/159/EEC.<sup>2</sup>

(a) *New common measures in respect of certain regions of the Community*

497. Independently of the measures to help the Mediterranean regions described above the Council studied the following measures:

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<sup>1</sup> Directive 78/1017/EEC, OJ L 349 of 13. 12. 1978.

<sup>2</sup> Decision 78/69/EEC, OJ L 23 of 28. 1. 1978.

(i) Producers' groups and their associations

498. When fixing agricultural prices for 1978/79 the Council reached agreement on a system of Community aid<sup>1</sup> to encourage the formation of producers' groups. A compromise solution was not reached until the Commission forwarded an amended proposal aimed at restricting Community measures initially to regions where the marketing structures were particularly inadequate.

Consequently Regulation (EEC) No 1360/78, adopted by the Council on 19 June 1978,<sup>2</sup> is addressed only to Italy, Belgium and certain regions in France, viz. Languedoc, Roussillon, Provence, Côte d'Azur, Midi, Pyrénées, Corsica, Drôme and Ardèche, and the overseas departments. The Council may decide, on a proposal from the Commission, to extend these provisions to other regions facing difficulties comparable to those in the above regions.

In these regions the supply structure of agricultural products is improved by encouraging the formation of producers' groups and associations of these groups. These impose certain conditions regarding production and marketing and give adequate guarantees regarding the period and the effectiveness of their operation. To this end provision is made for aid for the formation and operation of these groups. Aid is given for three years. For the first, second and third years there is an upper limit of 3 %, 2 % and 1 % respectively of the value of the production marketed, with the proviso that these amounts must not exceed 60 %, 40 % and 20 % respectively of the actual costs of forming and operating the groups.

This aid is eligible for reimbursement from the EAGGF Guidance Section, which reimburses Member States 25 % of their expenditure. This percentage, and the share contributed by the EAGGF may be increased in regions facing particular difficulties. The estimated expenditure by the EAGGF on this scheme is 24 million u.a. over five years.

(ii) Drainage programme in the West of Ireland and Northern Ireland

499. As part of the compromise solution on the 1978/79 agricultural prices the Council also accepted the Commission's proposal on a

<sup>1</sup> See 20th Review, paragraph 96, 23rd Review, paragraph 354, 24th Review, paragraph 391 and 25th Review, paragraph 471.

<sup>2</sup> OJ L 166 of 23. 6. 1978.

programme of accelerating drainage operations in the less-favoured regions in the West of Ireland.<sup>1</sup>

The long-term aim of this operation was to improve agricultural productivity and consequently increase farmers' incomes in the regions concerned where a particularly high percentage of the total population is engaged in agriculture.

Under this programme the EAGGF Guidance Section will, under certain conditions bear, 50 % of the expenditure on drainage systems, with the proviso that expenditure will be eligible only when it is in connection with public arterial drainage works over an area of 30 000 ha and field drainage work over an area of 100 000 ha. The total estimated cost of this common measure was fixed at 26 million u.a. for a period of five years.

(iii) Proposal for a Council Directive on the programme of promoting drainage of the catchment areas common to Ireland and Northern Ireland

500. When adopting the drainage programme for the West of Ireland the Council recognized the need also to promote public arterial drainage works in certain regions on either side of the border between Ireland and Northern Ireland.

To this end the Commission forwarded to the Council a proposal for a common measure to promote arterial drainage of the catchment areas common to Ireland and Northern Ireland. This measure would be financed under the same conditions as those applying to arterial drainage in the programme for the West of Ireland.

The Council will probably be in a position to adopt the text of this directive when formally adopting the last four proposals on the Mediterranean regions.

### **3. AGRICULTURAL RESEARCH**

501. The Council is aware of the potential value of scientific research to the Community, in particular when dealing with some of the more

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<sup>1</sup> Directive 78/628/EEC, OJ L 206 of 29. 7. 1978.

serious problems facing it, such as the need to rationalize production and the social consequences of such rationalization, the need to help the regions in the Mediterranean Basin and the least-favoured areas to cope with the results of enlarging the Community, etc. In October 1978 the Council therefore adopted a Decision<sup>1</sup> adopting joint research programmes and programmes for coordinating agricultural research. These programmes will begin in 1979 and be implemented over five years. They are concerned with the socio-structural aspects of the common agricultural policy, the elimination of obstacles to intra-Community trade in intra-Community agricultural products, and the need to increase productivity and to promote alternative agricultural products, in particular animal fodder.

## **F – Financing of the common agricultural policy**

### **1. FINANCIAL REGULATIONS**

502. In this sphere the major event occurred in August 1978 when the Council adopted a Regulation<sup>2</sup> laying down general rules for the financing of interventions by the EAGGF, Guarantee Section. This Regulation contains an updated and consolidated list of all the intervention measures financed by the EAGGF, Guarantee Section, and it confirms that the intervention measures known as 'Category 1' are financed entirely by the Community. It also lays down the conditions under which the Guarantee Section finances 'Category 2' intervention measures. While maintaining the previous system as regards financing interest on capital tied up in purchasing operations and the financing of expenditure resulting from storage (by means of uniform rates and flat-rate payments respectively throughout the Community), the Regulation also contains a number of new provisions regarding procedure. Under these the financial effects of any depreciation of the products, following storage for intervention purposes will now be borne by the EAGGF as from the time of entry into intervention, and the quantities of products in storage to be carried forward to the following financial year will in future be valued at their purchase price. Under certain circumstances these stocks which are carried over to the following financial year may be valued at a price lower than the purchase price.

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<sup>1</sup> Decision 78/902/EEC, OJ L 316 of 10. 11. 1978.

<sup>2</sup> Regulation (EEC) No 1883/78, OJ L 216 of 5. 8. 1978.

## **2. MEASURES TO MITIGATE IRREGULARITIES AND RELATED MATTERS**

503. Under Community regulations operators are obliged to furnish securities to guarantee the satisfactory performance of certain transactions concerning agricultural products. When the transactions are not performed, the securities are not returned. In order to lay down the procedure for retained securities the Council, on a proposal from the Commission, adopted a Regulation<sup>1</sup> in 1978 on the crediting of securities, deposits and guarantees furnished under the common agricultural policy and subsequently forfeited.

Basically this Regulation stipulates that any forfeited securities covering a risk of financial loss by the EAGGF are to be deducted from the expenses of the EAGGF (or the food-aid expenditure where applicable) by the paying authorities in the Member States. Forfeited securities which do not fall within the above category may be retained by the Member States concerned.

504. The Council's subordinate bodies have made good progress in examining a proposal for a Regulation on mutual assistance between Member States and between these States and the Commission, which is aimed at ensuring correct implementation of Community regulations in the spheres of customs duty and agriculture. Discussions on this proposal will continue in 1979.

## **G – Harmonization of provisions laid down by law, regulation and administrative action**

### **1. VETERINARY AND HEALTH LEGISLATION**

505. The Commission transmitted a communication to the Council on which Parliament and the Economic and Social Committee had delivered their opinions, and on the basis of suggestions made by the Directors-General and Heads of veterinary organizations in the nine Member States the Council adopted a Resolution on 30 May 1978 on the programme of action to be accomplished in the veterinary, zootechnical and animal protection spheres, and the staff needed for this work.

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<sup>1</sup> Regulation (EEC) No 352/78, OJ L 50 of 22. 2. 1978.

506. On 19 June 1978, on a proposal from the Commission and after consulting Parliament and the Economic and Social Committee, the Council adopted a Decision approving, on behalf of the Community, the European Convention for the protection of animals kept for farming purposes.<sup>1</sup> The aim of this Decision is to make it easier for the Community as such to comply with the Convention, which is designed to protect animals kept for farming purposes, particularly in modern intensive production systems.

507. Directive 77/99/EEC of 21 December 1976 on the examination for trichinae upon importation from third countries of fresh meat derived from domestic swine gives the Commission certain responsibilities in respect of which the Commission transmitted to the Council a communication dated 12 July 1978<sup>2</sup> containing an interim report on its investigations. At its meeting of 18-19 December 1978 the Council took note of this communication and requested the Commission to continue its studies in this sphere.

508. Progress has been made on a number of proposals within the Council's subordinate bodies and the legislation concerned may be adopted in 1979.

The main proposals are as follows:

- for a Directive amending Directive 64/432/EEC designed to authorize intra-Community trade in fresh meat from male swine which have been used for breeding, on condition that they have been gelded at least six weeks before slaughter, forwarded by the Commission on 13 September 1978;
- for a Directive amending Directive 64/432/EEC and relating, as regards brucellosis, to the buffered brucellosis antigen test, 45/20 vaccine, and the margin of tolerance for the serum agglutination test, and also a new proposal from the Commission, on which Parliament and the Economic and Social Committee have been consulted, amending Directive 64/432/EEC on brucellosis, tuberculosis and swine fever, and extending the period of certain exemptions granted to Denmark, Ireland and the United Kingdom;

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<sup>1</sup> Decision 78/923/EEC, OJ L 323 of 17. 11. 1978.

<sup>2</sup> Communication from the Commission to the Council on the examination for trichinae in pigmeat imported into the Community from third countries COM(78) 320 final.

- for Directives laying down health requirements which must be met by untreated milk intended for the preparation of heat-treated milk and heat-treated milk intended for direct human consumption.

509. In addition, the following proposals were put before the Council in November and December 1978:

- a Council Regulation on health problems affecting intra-Community trade in fresh meat and fresh poultry meat minced, crushed or reduced to small pieces by a similar process, with or without the addition of other foodstuffs, additives or seasonings;
- a Council Directive amending Directive 64/432/EEC as regards enzootic leukosis in cattle;
- an Additional Protocol enabling the European Economic Community to become a contracting party to the Convention of the Council of Europe on the protection of animals when transported between countries;
- a Council Directive amending Directive 77/504/EEC on pure-bred bovine breeding animals.

These proposals were forwarded to Parliament and the Economic and Social Committee for their opinions. They will be studied during 1979.

## **2. LEGISLATION ON FOODSTUFFS**

### *(a) General provisions*

#### *(i) New Directives*

510. On 19 December 1978 the Council adopted a Directive on the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer.<sup>1</sup> This is one of a series of Council Resolutions concerning harmonization and also consumer protection and information. This Directive represents an important milestone and is a very welcome addition to Community regulations in the foodstuffs sector. It is large in scope since it concerns the harmonization of

<sup>1</sup> OJ L 33 of 8. 2. 1979.

provisions concerning labelling, presentation and advertising, including any misleading statements, of all foodstuffs. It will affect consumers considerably since, in response to the wishes which they have often expressed, the Member States are going to adopt uniform regulations to ensure consumer protection and information.

The new text will ensure that consumers are protected in the Member States against misleading statements and they will all be given the same information in their own language regarding:

- the designation of the product;
- the list of ingredients including additives;
- the net quantity;
- the maximum storage life;
- the identity of the manufacturer, packer or seller;
- and if necessary the origin or provenance of the goods and directions for use.

These regulations will constitute a framework for the present and future provisions applicable to each product. However, it contains various exceptions and derogations which were necessary to take account of certain national idiosyncracies in the food sector and to allow complete uniformity to be achieved by stages.

These regulations will effectively enter into force no later than four years after notification.

#### (ii) Adjustments to existing regulations

511. Community regulations on foodstuffs additives (preservatives, colouring agents, antioxydants and emulsifiers) have been in force for several years, and specify the establishment of specific criteria for these substances which ensure uniform application of these regulations by the Member States. Following the adoption in 1962 and 1965 of two Directives concerning purity criteria for colouring matter and preservatives, on 25 July 1978 the Council adopted two further Directives laying down specific criteria of purity for emulsifiers<sup>1</sup> and antioxydants.<sup>2</sup>

<sup>1</sup> Directive 78/663/EEC, OJ L 223 of 14. 8. 1978.

<sup>2</sup> Directive 78/664/EEC, OJ L 223 of 14. 8. 1978.



512. In addition, during 1978 the Council amended the lists of additives permitted in foodstuffs.

513. Thus Directives 78/143/EEC, 78/144/EEC and 78/145/EEC of 30 January 1978<sup>1</sup> on antioxydants, colouring matter and preservatives are mainly aimed at authorizing with effect from 1 January 1978 at either Community or national level, certain additives, the use of which is not authorized after 31 December 1977, in implementation of the basic Directives or the Accession Treaty.

514. Still in this connection, on 19 December 1978 the Council adopted a new amendment to its Directive on preservatives.<sup>2</sup> This amendment extends the deadline for the permitted use of thiabendazole at certain levels on the surface of citrus fruit and bananas from 1 January 1979 to 1 July 1982.

515. Lastly, on 29 June 1978 the Council adopted Directive 78/612/EEC<sup>3</sup> amending for the first time Directive 74/329/EEC on emulsifiers, the main aim of this amendment being to give more precise details of the categorization of the substances in the Community list.

(b) *Specific provisions by product or product category*

(i) *New Directives*

516. Community regulations on materials and articles in contact with foodstuffs, which have been in force since 1976, following the Council's adoption of Directive 76/893/EEC,<sup>4</sup> still require addition of specific provisions on certain groups of materials and objects, in the form of specific Directives.

On 30 January 1978 the Council therefore adopted the first specific Directive on materials and articles containing vinyl chloride monomer.<sup>5</sup>

517. The proposal for a second specific Directive in this sphere concerning ceramic articles is still being studied.

<sup>1</sup> OJ L 44 of 15. 2. 1978.

<sup>2</sup> OJ L 13 of 19. 1. 1979.

<sup>3</sup> OJ L 197 of 22. 7. 1978.

<sup>4</sup> OJ L 340 of 9. 12. 1976.

<sup>5</sup> Directive 78/142/EEC, OJ L 44 of 15. 2. 1978. See also 25th Review, paragraph 492.

518. Lastly, in May 1978 a proposal for a third specific Directive concerning plastic articles was forwarded to the Council. Its main object was to give protection to Community consumers against the hazards connected with the presence of toxic substances in plastic articles in contact with foodstuffs. To this end this proposal lays down overall limits for migration of substances in plastic articles into or on to foodstuffs, as well as rules on technical monitoring of these limits. Study of this proposals is to begin as soon as Parliament and the Economic and Social Committee have delivered their opinions.

519. In addition the Council's subordinate bodies have continued their work on the Commission's proposals regarding natural mineral waters and jams and marmalades.

(ii) Amendments to existing regulations

520. On 19 June 1978 the Council adopted a Directive amending for the first time Directive 76/118/EEC on preserved milk.<sup>1</sup> The aim of this amendment is to specify in more detail certain designations which are reserved in a number of Member States.

521. The Council also adopted Directive 78/609/EEC<sup>2</sup> on 29 June 1978 and Directive 78/842/EEC<sup>3</sup> on 10 October 1978 amending for the fifth and sixth times respectively Directive 73/241/EEC, on cocoa and chocolate products. The fifth amendment provides a better definition for gianduja chocolate. The sixth amendment extends the period of exemption granted to certain Member States regarding authorized additives and thus meets a technological need in these Member States.

522. Another adjustment to existing regulations is contained in a proposal for a Directive transmitted by the Commission to the Council in July 1978, amending for the first time Directive 75/726/EEC on fruit juices and fruit nectars. The main aim of this proposal is to authorize wider use of certain fruits which are naturally slightly acid. Work on this proposal is at an advanced stage.

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<sup>1</sup> Directive 78/630/EEC, OJ L 206 of 29. 7. 1978.

<sup>2</sup> OJ L 197 of 22. 7. 1978.

<sup>3</sup> OJ L 291 of 17. 10. 1978.

### **3. LEGISLATION ON ANIMAL FEEDINGSTUFFS**

523. In 1976 the Council adopted the 'straight feedingstuffs' section of the proposal forwarded by the Commission in 1971, and work on the second section, concerning compound feedingstuffs, has reached an advanced stage.

All the major problems have been resolved and only one last question remains, i.e. whether labels should show the proportion of certain ingredients which are of importance to the agricultural markets, viz. milk powder in milk feedingstuffs and cereals in other compound feedingstuffs.

524. As part of its work of amending and adding to existing regulations in this sector the Council continued its study of three new proposals which were forwarded in 1977. One of these concerns certain products used in animal feedingstuffs and the other two concern amendments to Council Directives on additives in animal feedingstuffs, undesirable products and Community methods for monitoring feedingstuffs.

525. The previous November a proposal was also forwarded to the Council to amend the Directive on 'straight feedingstuffs', postponing the date when this Directive enters into force.

### **4. LEGISLATION ON PLANT HEALTH**

#### *New Directives*

526. On 19 December 1978 the Council adopted the Directive on the prohibition of the marketing and use of plant protection products containing certain active substances.

This Directive is a welcome addition to a series of regulations, some of which have already been adopted, designed to improve agricultural productivity by controlling harmful organisms, and to protect human and animal health and the environment when such control uses plant protection products, and in particular pesticides.

From this point of view it supplements Directive 77/93/EEC,<sup>1</sup> which governs traffic in plants which are carriers of harmful organisms,

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<sup>1</sup> OJ L 26 of 31. 1. 1977.

and Directive 76/895/EEC,<sup>1</sup> which fixes maximum levels for pesticide residues in and on fruit and vegetables.

The aim of this Directive is to prohibit the use of any plant protection products, such as pesticides, herbicides or growth regulators, containing active substances known to be harmful to human and animal health and to the environment, and particularly those belonging to the mercury compound series and the persistent organochlorines series.

However, it contains a limited number of exemptions which are justified for particular uses. There is also a safeguard clause.

This Directive will enter into force on 1 January 1978.

In addition, other work continued in the plant health sector as follows:

- examination of the proposal regarding approval of plant health products on the market, which is a logical supplement to the above Directive and concerns prohibition of the use of certain substances;
- examination of the proposal for a Directive on control of bacteria which attack potatoes. Its aim is to lay down in a harmonized manner the measures to be taken at national level against the introduction and propagation of this disease in the Community. Implementation of uniform regulations would constitute a further step towards the free movement of goods which form a major item in the Community's agricultural production.

## **5. LEGISLATION ON SEEDS AND SEEDLINGS**

527. Since the Community regulations in this sphere have been in existence for several years adjustments and amendments are still required. Thus the Council has adopted new Decisions and amending Directives this year, acting on proposals from the Commission.

528. Decisions 78/661/EEC and 78/662/EEC of 25 July 1978<sup>2</sup> supplement, as regards new species and new countries, the Decisions adopted earlier by the Council on the equivalence of field inspections

<sup>1</sup> OJ L 340 of 9. 12. 1976.

<sup>2</sup> OJ L 223 of 14. 8. 1978.

carried out in third countries on seed-producing crops, and those on the equivalence of seed produced in third countries, respectively.

529. The aim of Decision 78/691/EEC of 25 July 1978<sup>1</sup> is to declare the equivalence of seed potatoes produced in Austria, Switzerland and Poland for a further period, from 1 July 1978 to 30 June 1981.

530. Decision 78/262/EEC of 6 March 1978<sup>2</sup> supplements the Decisions previously adopted by the Council regarding the equivalence of forest reproductive material produced in Austria.

531. Lastly, a further addition to the Decisions previously adopted in this sector is Decision 78/476/EEC,<sup>3</sup> adopted by the Council on 30 May 1978, on the equivalence of checks on practices for the maintenance of the varieties carried out in third countries in respect of certain varieties of agricultural plants and vegetable species.

532. On 26 September<sup>4</sup> and 5 December 1978<sup>5</sup> the Council adopted two Directives extending the period of validity of the Decisions on equivalence which the Member States had previously adopted regarding the marketing of potatoes and fodder plant seed, cereal seed and seed of oil and fibre plants.

533. In this same sector a series of technical adjustments to the basic texts on seeds and seedlings was put before the Council in 1978. Some of these adjustments were adopted on 25 July 1978.<sup>6</sup> These amendments take into account progress in the sphere of packaging materials, sealing systems and labelling methods for seeds and seedlings. Work is continuing on studying the remaining amendments proposed by the Commission.

## **6. COORDINATION OF MEMBER STATES CONCERNING INTERNATIONAL PROJECTS**

### **(a) *Codex alimentarius***

534. During the year under review several Codex standards (under the joint FAO/WHO programme) reached more advanced draft stages.

<sup>1</sup> OJ L 236 of 26. 8. 1978.

<sup>2</sup> OJ L 72 of 14. 3. 1978.

<sup>3</sup> OJ L 152 of 8. 6. 1978.

<sup>4</sup> Directive 78/816/EEC, OJ L 281 of 6. 10. 1978.

<sup>5</sup> Directive 78/1020/EEC, OJ L 350 of 14. 12. 1978.

<sup>6</sup> OJ L 236 of 26. 8. 1978.

Work on coordinating the position of the Member States and the Commission was then vigorously pursued within the Council at the various meetings of the Commission and the Codex Committees. In broad lines a common position was reached regarding standards complementing corresponding work on harmonization which is in hand or has already been completed in the Community.

(b) *International Union for the protection of new varieties of plants (UPOV)*

535. The main object of this international organization is to recognize and protect, in the Member States which belong to it, the rights of a grower of a new variety of plant.

The Member States and the Commission coordinated their positions at the Diplomatic Conference for revising the International Convention on the protection of new plant varieties, which was held under the aegis of the International Union.

In participating in the work of this conference the Member States and the Commission ensured that there was no contravention of Community principles regarding freedom of movement, rules of competition or the provisions governing the marketing of seeds and seedlings.

## **H – Fisheries policy (internal aspects)**

536. Since the Council was not able to reach unanimous agreement by the end of 1977<sup>1</sup> either on definitive arrangements for the conservation and management of fishery resources, or on a system of allocating resources for 1978, it set itself a further deadline in the hope of finding an overall compromise solution by 31 January 1978 on the basis of new proposals from the Commission.

In order to cause the least possible disturbance to fishing activities during January 1978 the Council agreed that Community or national regulations regarding conservation and administration which were due to expire on 31 December 1977 would be extended to 31

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<sup>1</sup> See 25th Review, paragraph 503 *et seq.*

January 1978, and also that the 'standstill' undertaking regarding the intensity of fishing as compared with 1976 would also be extended to that date.<sup>1</sup>

In 1978 the Council's first attempt to overcome the obstacles which for several months had prevented agreement being reached on a new common fisheries policy was made on 16-18 January at a meeting which was an extension of the preceding meeting of 5-7 December 1977. The Commission and other bodies forwarded to the Council a new scheme for allocating resources for 1978 which took further account of the losses sustained by certain Member States in the waters of third countries.

The Council's reaction to this latter proposal, and to the amendments which the Commission had made to certain other texts concerning in particular surveillance measures and technical measures for conserving resources gave grounds for hoping that an overall compromise solution would finally be reached at the meeting of 30-31 January 1978, a meeting which the ministers had agreed to prepare for when they met informally on 27-28 January in Berlin.

However, this hope proved illusory since at the Council's meeting of 30-31 January 1978 although eight Member States repeated the statements which they had made following the meeting in Berlin, i.e. that they were prepared to accept the package of proposals made by the Commission setting up a definitive system in the fisheries sector including the arrangements for allocating resources for 1978, the United Kingdom considered that the concessions made to take account of its specific situation were still inadequate.

Since no permanent overall solution was forthcoming the Council, which was anxious to safeguard the future, and to tackle the most urgent problems, made an effort to obtain unanimous agreement on a draft Decision containing – in the form of interim measures – some of the measures concerning allocation and conservation of resources and surveillance measures which had been proposed by the Commission and which no longer presented major problems.

However, ultimately (at its meeting of 30-31 January 1978) the Council was forced to state that it was not possible to reach a decision.

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<sup>1</sup> Regulation (EEC) No 2899/77, OJ L 338 of 28. 12. 1977.

It therefore confined itself to two actions. It adopted the Commission's communication in accordance with which under The Hague Resolution of 3 November 1976,<sup>1</sup> where there are no agreed arrangements individual governments may take appropriate measures only when these are strictly necessary for the conservation and administration of fishery resources. These measures must be non-discriminatory and in accordance with the Treaty, and the Commission's approval must have been sought beforehand. The Council also took formal note of the undertaking made by eight Member States that any measure taken by their authorities to resolve the difficulties arising from the absence of Community provisions would be taken in the context of the proposal for a Decision relating to transitional arrangements for 1978, which had been presented during the session by the Presidency. This is based on the various proposals made by the study group during the period since autumn 1977.

Following this new setback, during the early months of 1978 'fisheries' did not appear on the Council's agenda, although this does not mean that the question had become any less immediate or important. Nevertheless careful preparations had to be made for a new discussion, which was to be decisive, and so there had to be informal contact beforehand between the Member States which were mainly involved and the Commission and the Presidency.

For this reason the Council's next attempt to reach overall agreement was not made until its meetings of 24-25 July and 25 September 1978, on the basis of amended proposals from the Commission regarding 1978 quotas and technical conservation measures.

However, these fresh attempts to reach a compromise solution were not successful in every case because of the continuing differences of opinion on the interpretation of the principle of equal right of access as it appears in the Treaty. It was equally impossible to accept a partial solution covering only the conservation measures which, technically, had been approved by all the Member States, because of the repeated assertions of the United Kingdom Delegation that in its opinion it was essential, for political reasons, that there should be an overall agreement on the basic aspects of the common fisheries policy.

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<sup>1</sup> See 25th Review, paragraph 504.



Fishing activities were therefore to be governed throughout 1978 by national measures introduced in accordance with the provisions of The Hague Resolution of 3 November 1976. While most of these measures were approved by the Commission without difficulty,<sup>1</sup> others, emanating from the United Kingdom authorities, and concerning mainly regulations on herring fishing, mesh size of nets used for crawfish and the size of the area in which Norway pout fishing was prohibited, caused the Commission to take special steps, and it informed the Council that when its investigations were complete it would take all the steps which it considered necessary with regard to its responsibilities in this matter.

Lastly, in November 1978, the Commission forwarded to the Council a new series of proposals which this time were designed to regulate fishing activities during 1979. These mainly comprised texts on annual catch quotas for 1979 and technical conservation and surveillance measures.

At its meeting of 23-24 November 1978 the Council held a detailed discussion on all these proposals, following which agreement was reached on certain points regarding the main annual catch quotas proposed by the Commission for 1979.

However, some fundamental differences of opinion remain regarding other aspects, and in particular, the form and the part to be played by fishery plans designed to monitor fishing activities in the 12-mile limit, and, in some cases, in certain areas beyond. In addition, there is still a certain amount of disagreement over the question of historical rights.

537. Since it was apparent that it was impossible to reach agreement on a Community system of administration and conservation of resources, which would be applicable as from 1 January 1979, the Council, at its meeting of 18-19 December 1978, took the precaution of adopting a decision establishing interim arrangements for the first quarter of 1979.

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<sup>1</sup> OJ C 154 of 30. 6. 1978.

The Council had undertaken to reach agreement as soon as possible in 1979 on Community measures for the conservation and administration of fisheries' resources and under this decision it agreed that Member States would carry out their fishing activities in accordance with the Commission's latest proposals regarding annual catch quotas and with existing national regulations on conservation. It should be stressed that, despite its somewhat limited practical scope, this decision is important in one way since it represents the first political decision taken unanimously by the nine Member States in the fisheries' sector since The Hague Resolution of 3 November 1976.

538. Lastly, in the course of 1978 the Council adopted two measures which were not directly linked to the problems of administering and conserving fisheries' resources.

539. The first of these was the Decision of 25 July 1978 on financial participation by the Community in inspection and surveillance operations in the maritime waters of Denmark and Ireland.<sup>1</sup> This Decision implements the Council's undertaking under The Hague Resolution to take appropriate measures to ensure a fair distribution of the costs arising from protection and surveillance of the fishing area off the coasts of Ireland.

This means that for period between 1 January 1977 and 31 December 1982 the Community will contribute to the cost of inspecting and monitoring fishing activity in the waters off the coasts of Ireland and Greenland. It will reimburse the two Member States concerned for part of the expenditure incurred at the rate of 46 million EUA for Ireland and 10 million EUA for Denmark.

540. Secondly, on a proposal from the Commission the Council adopted Regulation (EEC) No 1852/78 on an interim common measure for restructuring the inshore fishing industry.<sup>2</sup>

Pending adoption of the Regulation containing a measure for the long-term restructuring of the inshore fishing industry, this common measure, which remains in force until 31 December 1978 only,

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<sup>1</sup> OJ L 211 of 1.8. 1978.

<sup>2</sup> See 24th Review, paragraph 392.

provides for a contribution from the Guidance Section of the EAGGF, towards financing investment projects entailing the construction or purchase of fishing vessels between 12 and 24 metres long or construction/modernization of aquaculture establishments. The maximum contribution from the Fund is 25 %, except for projects in the coastal areas of Greenland, Ireland, Northern Ireland and the Mezzogiorno, where the limit may be as high as 50 %. The estimated cost of the common measure to be borne by the EAGGF is 5 million EUA.

## CHAPTER VI

### **Administrative matters – Miscellaneous**

#### **A – Budgetary matters**

##### **1. AMENDING BUDGET NO 1 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1978**

541. On 30 January 1978 the Commission forwarded to the Council the preliminary draft of amending and supplementary budget No 1 for the financial year 1978.

The aims of this preliminary draft budget are: `

- revision of the 'revenue' section of the general budget;
- increase in staff in the sphere of steel and textiles;
- the assumption by the European Community of certain financial obligations relating to fishing in the Adriatic Sea;
- adaptation of the layout of the budget to make it clearer how levy funds in the milk sector are used;
- extension of the overall guarantee from the EEC on loans to the Lebanon from the European Investment Bank.

In view of the urgency as far as the Community is concerned of revising the 'revenue' section of the general 1978 budget the Council removed the amending part of this preliminary draft amending and supplementary budget.

After consultation with the Commission, on 10 February 1978 it established by written procedure the draft amending budget No 1 of the European Communities for 1978.

This draft budget was sent to Parliament. At its sitting on 15 February 1978 Parliament approved it.

The President of the European Parliament took note that amending budget No 1 of the European Communities for the financial year 1978 had been finally adopted.

Amending budget No 1 for the financial year 1978 was published in the Official Journal of the European Communities.<sup>1</sup>

## **2. AMENDING AND SUPPLEMENTARY BUDGET NO 2 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1978**

542. On 27 February 1978 the Council established amending and supplementary budget No 2 of the European Communities for the financial year 1978. This is concerned with the four remaining matters in the preliminary draft of budget No 1, which was forwarded by the Commission on 30 January 1978, viz.:

- increase in staff for the spheres of steel and textiles;
- assumption by the European Community of certain financial obligations relating to fishing in the Adriatic Sea;
- adaptation of the layout of the budget to make it clearer how levy funds in the milk sector are used;
- extension of the overall guarantee from the EEC on loans to the Lebanon from the European Investment Bank.

The appropriations in this draft amending and supplementary budget No 2 total 12 362 654 592 EUA, which represents an increase of 650 000 EUA over the initial budget (12 362 004 592 EUA).

This draft budget was submitted to the European Parliament.

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<sup>1</sup> OJ L 71 of 13. 3. 1978.

At its sitting on 15 March 1978 the European Parliament approved the draft amending and supplementary budget for the financial year 1978 and accordingly adopted it.

The President of the European Parliament took note that amending and supplementary budget No 2 of the European Communities for the financial year 1978 had been finally adopted.

Amending and supplementary budget No 2 for the financial year 1978 was published in the Official Journal of the European Communities.<sup>1</sup>

### **3. SUPPLEMENTARY BUDGET NO 3 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1978**

543. On 28 April 1978 the Commission forwarded to the Council the preliminary draft supplementary budget No 3 for the financial year 1978.

Its provisions mainly affect the list of posts for the Court of Auditors and involve transfers within Section V – Court of Auditors – from the general budget for the financial year 1978 without amending the expenditure forecasts.

On 8 May 1978 the Council established the draft supplementary budget No 3 of the European Communities for 1978, on the basis of this preliminary draft supplementary budget No 3.

The draft supplementary budget No 3 was passed to the European Parliament, which, at its sitting on 11 May 1978 approved it and accordingly adopted it.

The President of the European Parliament took note that supplementary budget No 3 of the European Communities for the financial year 1978 had been finally adopted.

Supplementary budget No 3 for the financial year 1978 was published in the Official Journal of the European Communities.<sup>2</sup>

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<sup>1</sup> OJ L 121 of 8. 5. 1978.

<sup>2</sup> OJ L 162 of 19. 6. 1978.

#### 4. BUDGET OF THE EUROPEAN COMMUNITIES FOR 1979

##### *Establishment of the draft general budget of the European Communities for 1979*

544. It should be mentioned that with a view to preparing the 1977 and 1978 budgets the Council and Parliament had agreed to follow a timetable based on suggestions made by the Commission and designed to allow Parliament and the Council more time during the latter stages of the budgetary procedure.

Following receipt of a letter from Parliament the Council informed that body that it was again prepared to follow for 1979 the practical timetable adopted for drawing up the 1977 and 1978 budgets.

In accordance with this new timetable the preliminary draft of the general budget of the European Communities for 1979 passed by the Commission to the Council on 13 June 1978.

Following the procedure of cooperation between the Council and Parliament, before establishing the draft budget the Council held a detailed exchange of views with a delegation from Parliament. During this exchange of views Parliament was able to express its policy viewpoint on the main budgetary and financial guidelines for the financial year 1979.

On 18 July 1978 the Council established the draft general budget of the European Communities for 1979, after consulting the Commission, the Court of Justice and the Court of Auditors.

The payment appropriations in the draft general budget of the European Communities for the financial year 1979, established at the first reading by the Council, total 13 020 862 175 EUA. They comprise:

- Commission expenditure broken down as follows:
  - intervention appropriations covering expenditure in the agricultural, social, regional, energy, industry and transport research, and development cooperation sectors;
  - operating appropriations covering expenditure relating to staff, operational costs, information, aid and subsidies;

- other expenditure comprising the contingency reserve and the lump sum repayment to Member States of costs incurred in collecting the Community's own resources;
- expenditure by the other Institutions.

The draft general budget together with an explanatory memorandum was passed to Parliament on 6 September 1978. It was presented to that body during the September part-session by the President of the Council.

545. On 18 September 1978 the Commission addressed to the Council a letter of amendment relating to the preliminary draft general budget of the European Communities for 1979.

This letter of amendment concerns appropriations relating to research and investment, EAGGF – Guarantee, EAGGF – Guidance and lump sum repayments of the cost of collecting own resources.

The letter of amendment to the draft budget was established by the Council on 6 October 1978 by written procedure.

It provides for an overall net increase of 154 090 000 million EUA.

The letter of amendment relating to the draft general budget of the European Communities for the financial year 1979 was addressed to Parliament on 6 October 1978.

The payment appropriations in the draft general budget of the European Communities for the financial year 1979, after establishment of the letter of amendment, total 13 174 952 175 EUA.



**Expenditure estimates in the draft budget for 1979**

Sector	1978 budget (1)				Draft 1979
	Commitment appropriations	%	Payment appropriations	%	Commitment appropriations
	1		2		3
<b>I. Commission</b>					
<i>Intervention appropriations</i>					
Agriculture	9 181 958 700	72.28	9 131 958 700	73.87	10 209 139 000
Social	592 653 000	4.67	559 107 000	4.52	738 712 000
Regional	581 000 000	4.57	525 000 000	4.25	620 000 000
Research, energy industry and transport	318 269 795	2.51	295 336 303	2.39	258 583 375
Development cooperation	558 742 000	4.40	380 942 000	3.08	594 635 000
Miscellaneous	token entry	—	token entry	—	token entry
	11 232 623 495	88.43	10 892 344 003	58.11	12 421 070 275
<i>Operating appropriations</i>					
Staff	387 433 000	3.05	387 433 000	3.13	409 193 400
Operating expenditure	105 594 200	0.83	105 594 200	0.85	118 955 540
Information	13 018 000	0.10	13 018 000	0.11	9 875 000
Aid and subsidies	44 808 100	0.35	44 808 100	0.36	46 128 000
	550 853 300	4.34	550 853 300	4.46	584 151 940
<i>Contingency reserve</i>					
Chapter 100	—	—	—	—	—
Chapter 101	5 000 000	0.04	5 000 000	0.04	5 000 000
Chapter 102	—	—	—	—	token entry
<i>Reimbursement to Member States 10% own resources</i>	689 600 000	5.43	689 600 000	5.58	691 850 000
Commission total	12 478 076 795	98.23	12 137 797 303	98.18	13 702 072 215
<b>II. Other institutions</b>	224 857 289	1.77	224 857 289	1.82	245 705 005
Grand total	12 702 934 084	100.—	12 362 654 592	100.—	13 947 771 220

(1) Taking account of amending budget No 1, amending and supplementary budget No 2 and supplementary budget No 3.

(2) Taking account of the letter of amendment.

Source: Commission.

compared with appropriations in the 1978 budget

(in EUA)

budget (2)			Variation			
%	Payment appropriations	%	Amount Col. 3/Col. 1	% Col. 3/Col. 1	Amount Col. 4/Col. 2	% Col. 4/Col. 2
	4		5		6	
73.20	10 050 329 000	76.29	+1 027 180 300	+11.19	+918 370 300	+10.06
5.30	511 942 000	3.89	+ 146 059 000	+24.64	- 47 165 000	- 8.44
4.45	320 000 000	2.43	+ 39 000 000	+ 6.71	-205 000 000	-39.05
1.85	283 358 350	2.15	- 59 686 420	-18.75	- 11 977 973	- 4.06
4.26	482 615 900 token entry	3.66	+ 35 893 900 —	+ 6.42 —	+101 673 900 —	+26.69 —
89.06	11 648 245 230	38.42	+1 188 446 780	+10.58	+755 901 227	+ 6.94
2.93	409 193 400	3,11	+ 21 760 400	+ 5.62	+ 21 760 400	+ 5.62
0.85	118 955 540	0.90	+ 13 361 340	+12.65	+ 13 361 340	+12.65
0,07	9 875 000	0.07	- 3 143 000	-24.14	- 3 143 000	-24.14
0.33	46 128 000	0.35	+ 1 319 900	+ 2.95	+ 1 319 900	+ 2.95
4.18	584 151 940	4.43	+ 33 298 640	+ 6.04	+ 33 298 640	+ 6.04
—	—	—	—	—	—	—
0.04	5 000 000 token entry	0.04	—	—	—	—
—	—	—	—	—	—	—
4.96	691 850 000	3.25	+ 2 250 000	+ 0.33	+ 2 250 000	+ 0.33
98.24	12 929 247 170	98.14	+1 223 985 420	+ 9.81	+791 449 867	+ 6.52
1.76	245 705 005	1.86	+ 20 847 716	+ 9.27	+ 20 847 716	+ 9.27
100.—	13 174 952 175	100.—	+1 244 843 136	+ 9.80	+812 297 583	+ 6.57

Estimated operating appropriations are broken down among the Institutions as follows:

Institutions and bodies	1978 budget <sup>1</sup> (EUA)	Draft 1979 budget (EUA)
<i>European Parliament</i>	100 424 612	111 089 905
<i>Council</i> (own expenditure)	81 366 042	86 208 300
Economic and Social Committee	15 751 660	16 560 000
<i>Commission</i>	550 853 300	584 151 940
<i>Court of Justice</i>	17 332 920	19 576 220
<i>Court of Auditors</i>	9 982 055	12 270 580
Total	775 710 589	829 856 945

<sup>1</sup> Including amending budget No 1, amending and supplementary budget No 2 and supplementary budget No 3.

Staff authorized for each of the Institutions under the draft budget for the financial year 1979 are as follows:

	Permanent posts	Temporary posts
<i>Parliament</i>	1 741	152
<i>Council</i>	1 541	6
Economic and Social Committee	324	—
<i>Commission</i>		
— Operating budget	8 274	278
— Research and investment	2 636	135
— Publications Office	237	—
<i>Court of Justice</i>	311	4
<i>Court of Auditors</i>	175	24

546. At its sitting on 25 October 1978 Parliament adopted amendments and proposed modifications to the draft general budget of the European Communities for the financial year 1979. By letter dated 27 October 1978 Parliament addressed to the Council the draft general budget for the financial year 1979 thus amended together with the proposed modifications.

547. At its meeting of 20 November 1978 the Council took a decision concerning the draft budget forwarded by Parliament.

Before taking a decision on this draft budget the Council met a delegation from Parliament, and a wide-ranging exchange of views was held. This mainly concerned the policy guidelines laid down by Parliament during this year's debate on the budget.

The Council made a decision on each of the amendments and proposed modifications made by Parliament.

The total amendments which were not modified by the Council exceed Parliament's margin of manoeuvre, because of the sums involved in the amendments relating to the Regional Fund.

However, the Council was not able to adopt a position which would allow a rise in the maximum rate of increase not necessarily resulting from the Treaty (last paragraph of Article 203 (9) of the EEC Treaty).

In a letter to Parliament dated 22 November 1978 the Council referred to the fact that under the provisions of the last paragraph of Article 203 (8) of the Treaty establishing the European Economic Community, another rate could be fixed only by agreement between the Council, acting by a qualified majority, and the Assembly, acting by a majority of its members and three-fifths of the votes cast.

548. At its meetings of 5 and 12 December the Council held exchanges of views on the problems of fixing another rate for 1979 for expenditure other than that necessarily resulting from the Treaty or from acts adopted in accordance therewith.

549. On 16 November 1978 the Commission addressed to the Council the letter of amendment No 2 relating to the preliminary draft

general budget for 1979. The main aim of this letter was to reintroduce financial contributions based on the GNP for each Member State.

The Council informed Parliament of the situation regarding this matter in a letter dated 12 December 1978. It also informed Parliament that the Commission had undertaken to make the necessary calculations so that the modifications arising from this situation could be incorporated into the 1979 budget when it was finally adopted.

In a letter dated 15 December 1978 the President of the Parliament informed the Council that on 14 December Parliament had taken note of the withdrawal of the proposals for budgetary resolutions, and of all the amendments to the draft budget modified by the Council, that in his opinion the conditions required by paragraph 6 of Articles 203 of the EEC Treaty, 78 of the ECSC Treaty and 177 of the EAEC Treaty had thus been met and that therefore the budget forwarded by the Council would remain unchanged, and that for these reasons and pursuant to the provisions of paragraph 7 of Articles 203 of the EEC Treaty, 78 of the ECSC Treaty and 177 of the EAEC Treaty, the President of the European Parliament had declared that the budget for the financial year 1979 was finally adopted.

On 19 December 1978 the President of the Council sent a letter to the President of the Parliament pointing out that the budgetary procedure was not complete until the Council and Parliament had agreed on modifying the maximum rate of growth for expenditure not necessarily resulting from the Treaty and that the Council reserved its position regarding the consequences of the fact that the President of the Parliament had declared the budget to be finally adopted. However, he stressed that the Council was prepared to continue the dialogue begun with Parliament if this body so wished.

In his letter of 22 December 1978 the President of the Parliament stressed that Parliament and its President considered that the budget for the financial year 1979 was fully valid and therefore fully applicable, and that the letter from the President of the Council would be examined by the Enlarged Bureau of the Parliament at its January 1979 part-sitting.

## **5. OTHER BUDGETARY MATTERS**

- (a) *Transfer of appropriations from one chapter to another within the budgetary estimates of the Institutions for 1978*

550. The Council approved the various requests for appropriations to be transferred from one chapter to another relating to expenditure arising out of the Treaty, as made by the Commission (second paragraph of Article 21 (2) of the Financial Regulation).

It was consulted by Parliament on several other requests for transfers relating to expenditure not necessarily resulting from the Treaty (third paragraph of Article 21 (2) of the Financial Regulation).

(b) *Carry-over of appropriations from the financial year 1977 to the financial year 1978*

551. The Council approved requests for the following appropriations to be carried over as made by the Commission:

At its meetings of 19 June and 18 July 1978 the Council decided not to take a contrary decision with regard to the first and second lists of appropriations which the Commission had asked to be carried over from the financial year 1977 to the financial year 1978.

At its meeting of 12 December 1978 the Council took note of the list of appropriations automatically carried forward from 1977 to 1978, sent for information by the Commission on 9 November 1978.

(c) *Discharge given to the Commission in respect of the implementation of the budget for the financial year 1976*

552. At its meeting of 19 September the Council recommended the European Parliament to give a discharge to the Commission in respect of the implementation of the budget and the amending and supplementary budgets of the European Communities for the financial year 1976.

553. The recommendation was addressed to Parliament by letter dated 21 September 1978.

At its sitting of 13 December 1978 Parliament gave a discharge to the Commission in respect of the implementation of the budget of the European Communities for the financial year 1976.

## **6. RELEASE OF POSTS**

At its meeting of 6-7 March 1978 the Council approved the release of certain posts in section V (Court of Auditors) of the budget of the European Communities for 1978.

## **7. FINANCIAL REGULATIONS**

554. On 19 June 1978 the Commission addressed to the Council a proposal for a Council Regulation amending the Financial Regulation of 21 December 1977.

On 27 June 1978 the Council decided to consult Parliament and the Court of Auditors.

The opinion of the Court of Auditors was rendered by letter dated 27 July 1978.

Parliament rendered its opinion at its sitting of 10 October 1978.

At its meeting of 20 November 1978 the Council adopted a common guideline on that part of the above proposal designed to simplify the presentation of the research and investment appropriations in the budget of the Communities.

This common guideline was communicated to Parliament by letter dated 22 November 1978.

The Council continued its work on the Commission's proposal and at its meeting of 12 December 1978 agreed on a common guideline on the provisions relating to the carry-over of appropriations and on an amendment to Article 89 of the Financial Regulation.

Parliament was informed of the Council's revised common guideline by letter dated 12 December 1978.

### **B – Staff Regulations**

555. In the course of 1978, the Council adopted a series of decisions of importance to Community staff. It should be mentioned that for the second time, thanks to the improvement in the methods used and the efforts made under the dialogue procedure with the staff representatives, the preparatory work for all the decisions on pay was such that the Council was able to adopt a decision without discussions at Council level.

#### **1. REVISION OF THE STAFF REGULATIONS (third phase)**

556. By Regulations No 912/78 and 914/78 of 2 May 1978,<sup>1</sup> the Council revised for a third time the Staff Regulations of officials and the

<sup>1</sup> OJ L 119 of 3. 5. 1978.

conditions of employment of other servants of the Communities, in respect of the following points:

#### 557. Pecuniary measures

- the rate of pay for overtime is increased and compensatory leave for overtime is increased to a level equivalent to the payment for this overtime;
- a teaching allowance is introduced for officials who give courses under the vocational training scheme outside normal working hours;<sup>1</sup>
- the temporary fixed allowance for secretarial and allied staff becomes a permanent fixed allowance;
- an expatriation allowance is introduced for officials who are not and have never been nationals of the State in whose territory the place where they are employed is situated and who do not fulfil the conditions entitling them to the full expatriation allowance.

#### 558. Measures of a social nature

- the period of maternity leave is extended from 14 to 16 weeks;
- officials who are assigned non-active status may continue to be members of the Community sickness insurance scheme, subject to payment of contributions;
- the provisions concerning leave on personal grounds are improved by making it possible for officials to remain members of the sickness and accident insurance schemes during such leave – under certain conditions – and during one year of leave they can acquire further pension rights provided that they bear the full cost of the contributions;
- in the event of disciplinary measures involving removal from post and reduction or withdrawal of entitlement to pension, the dependants of the official will not suffer from the consequences of this measure.

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<sup>1</sup> The Regulation relating to the Community tax was adjusted following the introduction of this teaching allowance (Regulation No 913/78, OJ L 119 of 3. 5. 1978).



## 559. New structure for the Language Service

The provisions relating to the basic posts and career brackets of the L/A category are brought into line with those of Category A in order to make the career opportunities for officials in the Language Service more equal with those for officials in Category A.

## 560. Other measures

- where the probationary period is interrupted by sickness or accident for more than one month, it may be extended by the corresponding length of time;
- special leave for vocational training may be granted within the limits laid down in the programme drawn up by the Institution;
- an appeal may be made in the event of failure of the medical examination on recruitment. The appeal will be heard by a medical committee composed of three doctors chosen by the appointing authority from among the Institutions' medical officers. The Committee will hear the medical officer responsible for the initial negative opinion and a doctor chosen by the candidate;
- it is specified that the birth grant must be paid to the person who has actual care of the child;
- where the interests of the service so require the *laissez-passer* may also be issued to officials in other grades than A1 to A4 whose place of employment lies outside the territory of the Community Member States.

## 2. AMENDED METHOD OF ADJUSTING REMUNERATIONS

561. In the discussions on adjusting with effect from 1 January 1978 the weightings applied to the pay and pensions of officials and other servants of the European Communities,<sup>1</sup> particular attention was paid to the fact that under the procedure for incorporating the weighting into the basic salary scales certain distortions had occurred which in some cases were fairly considerable. In order to avoid these in future<sup>2</sup> the

<sup>1</sup> Regulation (EEC) No 1461/78, OJ L 176 of 30. 6. 1978.

<sup>2</sup> For distortions which have occurred in the past see paragraph 563 of this Review.

Council adopted a technical modification to the method of adjusting the pay of officials and other servants of the European Communities.

### **3. ADJUSTMENT OF DAILY SUBSISTENCE ALLOWANCE RATES FOR OFFICIALS ON MISSION**

562. By Regulation No 2711/78 of 20 November 1978<sup>1</sup> the Council adjusted the daily subsistence rates for officials on mission to take account of the increased costs to be covered. This increase was revealed by using a new survey method. In addition the Council adopted the Commission's proposal to lay down a single allowance rate for each country.

### **4. PAY REVIEW**

563. By Regulation No 3084/78 of 21 December 1978<sup>2</sup> the Council reviewed the pay of officials and other servants of the European Communities on the basis of the reference period from 1 July 1977 to 30 June 1978.

When it adopted this Regulation the Council included in its minutes a joint statement by the Council and the Commission signifying the intention of these two Institutions to eliminate the distortions which had occurred since 31 December 1976 when a weighting was incorporated into the basic salary scales.

### **5. UPDATING OF THE MONETARY PARITIES TO BE USED IN APPLYING THE STAFF REGULATIONS OF OFFICIALS AND AMENDMENT TO THE PROVISIONS RELATING TO THE TRANSFER OF PART OF AN OFFICIAL'S PAY**

564. The monetary parities used hitherto in applying the Staff Regulations were those accepted by the International Monetary Fund which were in force on 1 January 1965. By Regulation No 3085/78 of 21 December 1978<sup>2</sup> the Council updated these parities with effect from 1 April 1979. From this date remunerations paid in a currency other than Belgian francs will be calculated on the basis of the exchange

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<sup>1</sup> OJ L 328 of 23. 11. 1978.

<sup>2</sup> OJ L 369 of 29. 12. 1978.

rates used for the implementation of the general budget of the European Communities on 1 July 1978. Council Regulation No 3086/78 of 21 December 1978<sup>1</sup> adjusts the weightings resulting from this updating of the monetary parities.

With effect from 1 April 1979 transfers of part of an official's pay to a country other than that in which he is employed will also be made at the updated rate. In addition, to bring these transfers closer into line, they will be multiplied by a coefficient representing the difference between the weighting for the country to which the transfer is made and the country in which the official is employed. The conditions and procedures relating to such transfers are to be specified in rules to be drawn up by mutual agreement by the Community Institutions, after consulting the Staff Regulations Committee.

For pensions and allowances of which the net amount becomes less than that under the previous arrangements transitional measures over a period of 16 months were adopted. In addition, the Council inserted in its minutes a joint statement by the Council and the Commission in which these Institutions undertake to adopt further special measures to help recipients of pensions and allowances with low incomes.

**6. CORRECTION OF THE WEIGHTING APPLIED TO THE PAY AND PENSIONS OF OFFICIALS AND OTHER SERVANTS OF THE EUROPEAN COMMUNITIES EMPLOYED OR HAVING A HOME IN ITALY**

565. By Regulation No 3087/78 of 21 December 1978<sup>1</sup> the Council rectified, with effect from 1 January 1978, the weighting for Italy, in line with the findings of a statistical survey carried out by the Statistical Office of the European Communities.

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<sup>1</sup> OJ L 369 of 29. 12. 1978.

## **TABLES**



TABLE 1

**Number of days spent on Council meetings and meetings of preparatory bodies**

Year	Ministers	Ambassadors and Ministerial Delegations	Committees and Working Parties
	EEC/EAEC/ECSC	EEC/EAEC/ECSC	EEC/EAEC/ECSC
1958	21	39	302
1959	21	71	325
1960	44	97	505
1961	46	108	655
1962	80	128	783
1963	63 <sup>1/2</sup>	146 <sup>1/2</sup>	744 <sup>1/2</sup>
1964	102 <sup>1/2</sup>	229 <sup>1/2</sup>	1 002 <sup>1/2</sup>
1965	35	105 <sup>1/2</sup>	760 <sup>1/2</sup>
1966	70 <sup>1/2</sup>	112 <sup>1/2</sup>	952 <sup>1/2</sup>
1967	75 <sup>1/2</sup>	134	1 233
1968	61	132	1 253
1969	69	129	1 412 <sup>1/2</sup>
1970	81	154	1 403
1971	75 <sup>1/2</sup>	127 <sup>1/2</sup>	1 439
1972	73	159	2 135
1973	79 <sup>1/2</sup>	148	1 820
1974	66	114 <sup>1/2</sup>	1 999 <sup>1/2</sup>
1975	67 <sup>1/2</sup>	118	2 079 <sup>1/2</sup>
1976	65 <sup>1/2</sup>	108 <sup>1/2</sup>	2 130
1977	71	122	2 108 <sup>1/2</sup>
1978	76 <sup>1/2</sup>	104 <sup>1/2</sup>	2 090

TABLE 2

**Interim Committee for the Community Patent**

Period	Plenary	Groups
1978	2	20

## ABBREVIATIONS

### – A –

ACP  
African, Caribbean and Pacific  
States

ASEAN  
Association of South-East Asian  
Nations

### – B –

BIS  
Bank for International Settlements

### – C –

CCT  
Common Customs Tariff

CERN  
European Organization for Nuclear  
Research

cif  
cost-insurance-freight

CMEA (Comecon)  
Council for Mutual Economic  
Assistance

COREPER  
Permanent Representatives'  
Committee

COST  
European Cooperation in the Field of  
Scientific and Technical Research

CREST  
Scientific and Technical Research  
Committee (STRC)

CSCE  
Conference on Security and  
Cooperation in Europe

### – D –

DC  
Developing country

### – E –

EAEC  
European Atomic Energy  
Community

EAGGF  
European Agricultural Guidance and  
Guarantee Fund

ECE  
Economic Commission for Europe

ECSC  
European Coal and Steel  
Community



EDF  
European Development Fund

EEC  
European Economic Community

EIB  
European Investment Bank

EMCF  
European Monetary Cooperation  
Fund

EMS  
European Monetary System

ERDF  
European Regional Development  
Fund

ESC  
Economic and Social Committee

EUA  
European unit of account

– F –

FAO  
Food and Agriculture Organization of  
the United Nations

FOD  
French overseas departments

– G –

GATT  
General Agreement on Tariffs and  
Trade

GNP  
Gross national product

GPS  
Generalized preference scheme

– H –

ha  
hectare

– I –

ICCAT  
International Commission for the  
Conservation of Atlantic Tunas

ICRISAT  
International Crops Research  
Institute for the Semi-Arid Tropics

ICSEAF  
International Commission for  
South-East Atlantic Fisheries

IEA  
International Energy Agency

IMF  
International Monetary Fund

INCAP  
Institute of Nutrition of Central  
America and Panama

INFCE(P)  
International Fuel Cycle Evaluation  
(Programme)

IPA  
International product agreements

IRRI  
International Rice Research Institute

– J –

JAR  
Joint airworthiness requirements

JET  
Joint European Torus

– M –

MARPOL  
Marine pollution

MSP  
Minimum safeguard price

MTN  
Multilateral trade negotiations

– O –

OCT  
Overseas countries and territories

OECD  
Organization for Economic  
Cooperation and Development

ONIC  
Office national interprofessionnel de  
céréales

– Q –

Quality wines p.s.r.  
Quality wines produced in specified  
regions

– R –

RUE  
Rational use of energy

– S –

SE  
Societas Europea

SOLAS  
Safety of life at sea

– T –

TAC  
Total allowable catch

TIR  
International road transport

TOSCA  
Toxic substances control Act

– U –

UNCTAD  
United Nations Conference on Trade  
and Development

UPOV  
International Union for the protection  
of new varieties of plants

– V –

VAT  
Value added tax

– W –

WHO  
World Health Organization

WIPO  
World Intellectual Property  
Organization



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