

Twenty-first
REVIEW
of the
COUNCIL'S WORK

1 January
31 December 1973

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

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INTRODUCTION

to the 21st Review

(1 January — 31 December 1973)

As the President of the Council pointed out in his speech to the European Parliament when presenting the Council's annual report, 1973 was first and foremost the year of the enlargement of the Community. This new dimension entailed a period of adaptation as a result of the need to introduce machinery to enable the Community to operate with nine Member States instead of six.

During the same period, the Community was also faced with the important but difficult task of gradually implementing the policies laid down by the Conference of Heads of State or Government held in Paris in October 1972. These policies were intended to bring about far-reaching changes in the Community. The Community was to embark upon — or take important steps towards — common policies of great significance, it was to open up new fields, strengthen its institutional structures and prepare for the major objective of European union.

Immediately after this Summit Conference, all the institutions of the Community started detailed studies of how to implement the decisions taken by the Heads of State or Government. Examples of this are the common stand taken by the Community in the GATT negotiations, the adoption of a social programme, the decisions taken in the fields of industrial and technological policy, scientific research and environmental policy. The Council also took steps to improve its relations with the European Parliament and, in this context, adopted some practical measures. In addition, it devoted a great deal of attention to strengthening the budgetary powers of the European Parliament.

In the course of 1973, however, the Community was faced with major problems which may well be the most serious it has encountered since it was set up.

In 1973, various events outside the control of the Community convulsed the world economic situation, particularly with regard to such essential factors as economic growth and stability, the competitive position of industries, employment and living standards. The events in question were the monetary crises, the often staggering rise in raw material costs and the oil crisis deriving directly from the situation in the Middle East.

The Council fully realized the gravity of these events and studied the problems on several occasions.

The monetary system within the Community was marked by the coexistence of two different exchange systems. The currencies of six Member States remained linked in accordance with the Basle agreements of April 1972 on narrowing the fluctuation margins, while the other currencies floated independently.

The economic situation continued to be marked by increasing inflationary pressure, in spite of the restrictive policies followed with varying degrees of energy by all Member States. Fully realizing the global nature of the inflationary phenomenon and its interrelationships, they made use of the Community procedures to coordinate their policies. In this context, the Council adopted three specific programmes of action against inflation, dealing particularly with monetary policy. However, the quantitative restrictions decided upon by the oil producing countries in the wake of the Middle East crisis and the subsequent price increases heightened the existing inflationary pressure and pressed heavily upon the balances of payments. As part of the preparations for economic and monetary union, agreement was reached on 17 December 1973 on four draft acts, which were submitted to the Council at the start of 1974.

In the field of energy in general, the Council expressed its agreement, in May 1973, with the guide-lines and priorities for the institution of a Community energy policy. The Council felt that these guide-lines, in their broad outline, represented a suitable basis for discussion of the necessary steps to ensure supplies in the Community. At sectoral level, the consequences of the oil crisis continued to be at the centre of the Council's concern during the last few months of 1973. In July 1973, the Council had already approved a directive on measures to mitigate the effects of difficulties in supplies of crude oil and petroleum products in case of crisis and, in October 1973, it also issued a regulation providing for supporting measures for certain Community projects in the hydrocarbons sector. In the

field of coal, the Council was asked in July 1973 to reach a decision on the new system of Community aid for coking coal and coke intended for the Community iron and steel industry; this new system of aid, which has retrospective effect as from 1 January 1973 on the basis of a decision taken by the Commission, will operate for six years. Last May, the Council also passed a resolution emphasizing the need for the Community to build up a uranium enrichment capacity and decided to set up a Standing Committee for Uranium Enrichment, which would have the task of studying the various problems being encountered in this field.

At research programme level, the Council, acting on the basis of the basic agreement reached in February 1973 on the future multi-annual research programme of the Communities, decided upon a series of multi-annual research programmes at its meetings on 14 May and 18 June 1973.

During the period reviewed, it was necessary to implement the main procedures provided for in the Treaty of Accession to allow the Member States to adapt themselves to the systems existing under the common agricultural policy. 1973 was also the first year in which the agricultural prices were fixed for nine Member States. In addition, monetary developments led to some disparities between the prices expressed in units of account and those expressed in the currencies of certain Member States, so that it was necessary to retain the system of compensatory monetary levies which had originally been intended as a purely short-term economic measure. On the other hand, the rise in the prices for agricultural produce on the world market also had consequences for the operation of the common agricultural policy; in this situation, the common agricultural policy appeared — for certain important products — to have a stabilizing effect on exchange rates within the Community, thus fulfilling the aims envisaged by the Treaty.

During 1973, the Council made a detailed study of the proposals submitted by the Commission with regard to regional policy, particularly those proposals for the establishment of a Regional Development Fund and for the FEOGA to finance projects in the agricultural regions with priority under the development programme. It also discussed the size, duration and distribution of the Fund.

The Council's activity in the social sphere over the last few months was concerned particularly with the drawing up of the resolution on the programme of social action. This lays down the

objectives and lists the priorities for the Community's social activity in the coming years.

In the field of industrial policy, the Council adopted, on 17 December 1973, a resolution establishing a detailed timetable for an initial stage in the programme of action announced at the Paris Summit Conference. This timetable provides for the abolition of the technical barriers to trade, for the progressive opening up of public sector purchases and for the elimination of tax or legal barriers hindering closer links between companies.

Also with a view to abolishing the technical barriers, the Council issued, during the last few months, twelve directives with which it had already expressed its agreement, thereby taking an important step towards the attainment of the common market. Last December, the Council also issued two directives dealing with the motor vehicles sector.

Finally, as regards customs, the recent adoption of several directives or rulings reflects the Council's will to continue its harmonization in this sector.

At its meeting on 22 November 1973, the Council had a first exchange of opinions on the future lines of the common transport policy. It issued a directive liberalizing certain road transports and made preparations for issuing a ruling increasing the Community quota. It continued its study of the draft directive on the difficult and complex problem of the weight and size of utility road vehicles and other related matters. In the ECSC field, the representatives of the governments of the Member States, meeting within the Council, approved the admission of the new Member States to two agreements concluded with Austria and Switzerland on railway tariffs.

1973 saw the launching of a genuine environmental policy in the European Communities. Two basic texts were issued in this context: the 'Environmental Programme of Action of the European Communities' and the 'Agreement on Environmental Information'. A 'Declaration of the Council of the European Communities and the representatives of the governments of the Member States meeting within the Council relating to an environmental programme of action in the European Communities' was produced in July 1973 and finally adopted on 22 November 1973.

The first part of the programme defines the objectives and principles of a Community environmental policy. The second part

commits the Community institutions and the Member States to introducing, within specific time-limits, certain measures intended to reduce pollution and nuisances and to improve the environment.

In the question of the free movement of persons and services, the Council issued, on 28 June 1973, a directive abolishing the restrictions to freedom of movement of persons and services in the case of self-employed activities of banks and other financial establishments — a step which is in itself significant. On 24 July 1973, it issued two directives providing for the abolition of restrictions to freedom of establishment and to coordination of the laws, regulations and administrative provisions concerning the taking up and pursuit of the business of direct insurance other than life assurance.

In the field of foreign relations, the Council has continued to be active in working out an overall and consistent development aid policy. Work was concentrated on three main aspects: measures to promote an increase in exports from the developing countries, the problem of the financial aid to be made available to these countries, and the provisions for harmonizing and coordinating the policies of the Member States so as to achieve genuine coordination of the policies of the Community and its Member States in this field.

Agreement has already been reached on two of these questions — the increase in exports and coordination of the policies, but not yet on the third aspect — which is of great importance — of the financial means to be devoted to development aid at world level.

At the end of 1973, the Council took some important decisions with regard to the new scheme for generalized preferences in the Community. This scheme has two main features — the fact that, for the first time, the three new Member States have become integrated into the Community scheme, and a substantial improvement in the opportunities for developing countries to export to the Community. The Council also approved the request from Romania to benefit from the generalized preferences, given that detailed rules have been laid down in this case.

The Community has continued to be very active, in 1973, in the field of food aid, which amounted to 221 million units of account and was sent to 34 countries and 6 international organizations, most of it having gone to Asia, and Bangladesh in particular.

In relations with the associated and "associable" countries of Africa South of the Sahara, the Caribbean and the Pacific, the most outstanding event of the past year was the opening of negotiations between the Community and these countries, in accordance with Protocol No 22 of the Treaty of Accession on the renewal and enlargement of the Association. The Community noted with satisfaction that its invitation to take part in the negotiations and in the two preparatory Ministerial Conferences of July and October 1973 was very well received. 44 countries, speaking with a single voice, are at present negotiating with the Community on a general agreement on trade and economic cooperation.

Another feature of 1973 was the entry into force of the Agreement by which Mauritius became associated to the Yaoundé Convention. Only a few days after this Agreement came into force, the EEC-AASM Association Council held its ordinary annual meeting at ministerial level in Mauritius.

In the field of financial and technical cooperation between the Community and the AASM, transactions under the 3rd EDF have progressed to the point where, by the end of 1973, the commitments amounted to approximately 650 million units of account. In this context, there was another important event in the course of the year — the decision to include in the Community budget for 1974 a supplementary credit of 35 million units of account for structural projects and another of 5 million units of account for additional food aid programmes in the Sahel countries affected by drought and in Ethiopia.

The institutional activity under the Arusha Agreement was less than under the Yaoundé Convention, although there was a useful meeting of the EEC-East Africa Committee of Association in Nairobi in June 1973.

In the relations between the Community and the countries of the Mediterranean basin, application of the existing agreements continued satisfactorily, on the whole, in 1973, the application being restricted to the day-to-day administration of the EEC-Greece Association.

With a view to working out an overall balanced approach with regard to relations between the Community and the countries of the Mediterranean basin — as was decided upon by the Conference of Heads of State or Government in October 1972 — the Community

started negotiations on new agreements with Israel, Spain, Algeria, Morocco, Tunisia and Malta. The aim of these negotiations — which, however, were not completed by the end of the year — was to alleviate the consequences, for these countries, of the enlargement of the Communities and to obtain 'overall' agreements, i.e. agreements covering not only provisions for trade, but also cooperation in different sectors, account being taken of the particular situation of each individual country.

With regard to the free-trade agreements concluded by the Community in order to regulate its relations with those Member and Associate States of EFTA which have not acceded to the Community, the past year saw the completion of the work which started with the enlargement of the Communities, thanks to the entry into force of the agreements with Iceland, Norway and Finland.

In the GATT multilateral tariff negotiations, the Community, after having defined its general position, played a constructive part at the ministerial meeting in Tokyo, which marked the start of the negotiations.

In its talks with the main industrialized countries, the Council's interest centred on the declaration of principle between the United States and the European Community and its Member States.

In relations with the East European countries, the Paris Summit Conference underlined both the Community's wish to follow a common trade policy with effect from 1 January 1973 and the wish of the Member States to promote a policy of cooperation with these countries, this cooperation to be closely linked to the work of the conference on security and European cooperation, to which, it was agreed, the Community and its Member States would make a joint and constructive contribution.

In the field of bilateral relations, a trade cooperation agreement was concluded between the Community and India in December 1973. Other trade agreements were signed by the Community with Uruguay, on 2 April 1973, and with Brazil, on 19 December 1973. These two agreements are fairly similar in content to the one previously concluded with Argentina, and all three reflect the importance attached by the Community to its relations with Latin America. A new agreement was concluded between the Community and Yugoslavia for a period of 5 years.

The Council approved a series of measures aimed at improving relations between the Council and the Economic and Social Committee, with particular regard to permanent cooperation during preparation of the Committee's opinions.

It also continued to strengthen its increasingly strong links with the European Parliament and, to this effect, adopted a series of measures aimed at improving these relations still further. The Council replied to all the written and oral questions submitted to it by the members of the European Parliament under its powers, as well as to those raised during question time.

The Council, finally, devoted particular attention to the fundamental question of strengthening the budgetary powers of the European Parliament.

Like its predecessors, this Review is a documentation aid prepared by the Secretariat-General of the Council and does not involve the responsibility of the Council itself.

CHAPTER I

Free circulation and common regulations

A — Customs Union, free circulation of goods

COMMON CUSTOMS TARIFF

1. The Council adopted two Regulations amending the Common Customs Tariff, thirteen Regulations temporarily suspending the autonomous duties in the Common Customs Tariff on a certain number of products and twenty-one Regulations on the opening, allocation and administration of Community tariff quotas for certain products or increasing quotas opened in 1972.

B — Right of establishment and freedom to provide services

2. During the period under review the Council adopted five Directives after completing the consultation procedure initiated during the second half of 1972. The Council has actively pursued its work of consultation on six other Directives to which the Six had evolved a common attitude in November 1972.

1. DIRECTIVES ADOPTED

3. On 21 May 1973 the Council adopted a Directive on the abolition of restrictions on movement and residence within the Community for nationals of Member States with regard to establishment and the provision of services. This Directive replaces Directive

No 64/220/EEC of 25 February 1964 in extending to self-employed persons the advantages of Directive No 68/360/EEC of 18 October 1968, which gives increased benefits to employed persons.

4. A Directive on the abolition of restriction on freedom of self-employed persons to establish and to provide services for banks and other financial institutions was adopted by the Council during its session of 28 June 1973.

Pursuant to this Directive the Member States will abolish restrictions, including discriminatory administrative practices which prevent those benefiting from the Directive (individuals and companies) from establishing themselves on the territory of another Member State or providing services there under the same conditions and with the same rights as the nationals of that state. However, as regards services linked with capital movements, this freedom is confined in the initial stage to a number of services given in a list appended to the Directive, which is to be extended as progress is made in the field of economic and monetary cooperation and, in particular, in liberalizing capital movements.

It should also be noted that the liberalization of the services provided by foreign exchange dealers which, in certain Member States, raises problems of participation on the part of the public authorities, has been postponed to a subsequent Directive, while other activities, which these dealers share with the banks, are the subject of special measures in the Directive which was adopted.

This Directive marks a first step towards the achievement of economic and monetary cooperation in establishment and services, and as such is of particularly significant value.

5. On 24 July 1973 the Council adopted two Directives concerning insurance, one on the coordination of provisions governing the taking-up and pursuit of direct insurance other than life-assurance, and the other abolishing restrictions on freedom of establishment in this field.

These two Directives constitute an important first step towards the achievement of a common market in insurance. However, at present it is confined to insurance other than life-assurance (fire, accident, civil liability and damage).

6. In order to avoid any serious distortions the General 'Establishment' Programme makes the removal of restrictions on the establish-

ment of agencies and branches dependant on the prior coordination of the conditions for the taking-up and pursuit of activity in this field. This coordination is the subject of the first Directive and, apart from specific and strictly limited exceptions (certain categories of mutual associations and specific institutions), will apply to all enterprises in the Community, whether they wish to become established in other Member States or not.

This necessary minimum of coordination will be achieved by instituting a system of guarantees based on a 'solvency margin', corresponding to the funds of the companies, free of all foreseeable liabilities, which must equal a minimum sum laid down by the Directive. One-third of this margin, taking account of certain absolute minimum sums which vary according to the risks insured, is the 'guarantee fund'. Where the solvency margin is less than the minimum laid down, the supervisory authorities may impose certain rectifying measures on the companies, and if this margin falls below the guarantee fund level the measures become more rigorous.

Apart from these obligations, the general principle is laid down that the companies should employ their available assets as they wish.

7. To highlight the economic importance of these two Directives it should be emphasized that this sector represents an increasingly large proportion of general economic activity. In the Nine approximately 2 000 enterprises with receipts of some 18 000 million u.a. per annum will be subject to the Directive. Furthermore, since insurance costs are an integral part of the cost of most products, it may be hoped that the free play of Community competition and the opportunities provided by the enlarged market will contribute to the stabilization of this factor.

8. The OECD has followed the work of the Six, later the Nine, very closely, and is preparing rules for the other countries within the organization which will be directly based on this work. Furthermore, Title III of the first Directive concerns rules applicable to agencies and branches belonging to undertakings whose head offices are outside the Community, and makes provision for reciprocal negotiating arrangements with non-member countries in which such head offices are established. Under Article 29 of this Directive Switzerland submitted a request on 26 July 1973 for negotiations to be opened.

2. JOINT POSITION OF THE SIX

9. Although a joint position was agreed by the Six in 1972 on six other Directives, it was not possible to complete consultations before the end of 1973. These concern activities in the field of toxic products and services incidental to transport, and certain miscellaneous activities.

10. The Directive concerning the attainment of freedom of establishment and freedom to provide services in respect of activities of self-employed persons in commerce, the distribution of toxic products and the activities of intermediaries in the same field is intended to rectify the omissions on this point in the directives concerning wholesale trade, retail trade and the activities of intermediaries in commerce, industry and small craft industries.¹ In addition to this Directive there is another Directive on transitional measures which has a wider scope since it also covers the commercial use of toxic products.

11. *Mutatis mutandis*, the Directive on the attainment of freedom of establishment and the right to provide services for various activities of self-employed persons (ISIC group 01 to group 85) covers a series of activities not provided for in the Directives which are specific to certain large sectors. This Directive also has an accompanying Directive covering transitional measures.

12. Activities covered by ISIC groups 718 and 720 will be liberalized by the Directive on the abolition of restrictions on freedom of establishment and freedom to provide services for activities of self-employed persons in certain services incidental to transport and travel agents (ISIC group 718) and storage and warehousing (ISIC group 720). This Directive is also accompanied by a Directive on transitional measures.

3. OTHER DIRECTIVES

13. In spite of the fact that existing company law in the United Kingdom and Ireland differs considerably from the 'continental' system, the Council managed to complete the first reading of the

¹ Directive No 64/223/EEC of 25.2.1964, OJ No 56 of 4.4.1964.
Directive No 68/363/EEC of 15.10.1968, OJ No L 260 of 22.10.1968.
Directive No 64/224/EEC of 25.2.1964, OJ No 56 of 4.4.1964.

second Directive on company law which aims to coordinate the guarantees which are required in the Member States from the companies or firms within the meaning of the second paragraph of Article 58 of the Treaty, with a view to making such guarantees equivalent, for the protection of the interests of members and others in respect of the constitution of the company, the maintenance of its capital and any changes in it. The Council also completed the first reading of the third Directive on company law, which, *mutatis mutandis*, is concerned with mergers within a country.

14. These two Directives are part of a series of Directives on 'company law'¹ for which the Council laid down a date when they would come into force in item 4 of its Resolution of 17 December 1973 on industrial policy.

This Resolution also lays down in item 2 that by 1 January 1975 at the latest the Council will make a decision on the proposed Directive coordinating the procedures for awarding public supply contracts. The Council has been actively examining this proposal.

15. In the field of the professions the new situation created by the enlargement of the Community made it necessary for the Council to undertake a general review of each proposed Directive in order to take account of the specific problems of the new Member States. During this first year for the enlarged Community these efforts have been concentrated on medicine, which could be the first example of the attainment of free circulation for the members of a profession — a step which would not fail to bring about concrete results fairly quickly in the other Directives proposed by the Commission in this field. Effort has also been concentrated on seeking a pragmatic solution for certain activities in the pharmaceutical field, where liberalization must be coordinated with the attainment of the free circulation of pharmaceutical products in respect of the appointment, function and field of activity of persons responsible for the manufacture and supervision of medicaments.

16. The examination of the proposed Directive to liberalize the provision of services in respect of certain legal activities has also been resumed.

¹ The first Directive on 'company law' has already been adopted (Directive No 68/151/EEC of 9 March 1968).

17. Work has also continued on the proposed Directive on the coordination of certain laws, regulations and administrative provisions relating to cinematography and on the proposal relating to the attainment of freedom to provide services in respect of the film distribution.

C — Joint Rules

1. AID GRANTED BY THE MEMBER STATES

18. On 17 December 1973 the Council adopted a Directive extending the period of validity of the second Directive concerning aid to ship-building for six months, to 30 June 1974. In its Resolution of 17 December 1973 on industrial policy the Council indicated that it would make a decision before 1 July 1974 on a third Directive concerning the aid granted to this sector.

2. APPROXIMATION OF LAWS

(a) Harmonization of customs law

19. On 26 March 1973 the Council adopted a Directive on the implementation of Article 18 of the Directive of 4 March 1969 on the harmonization of provisions laid down by law, regulation or administrative action in respect of inward processing. On 4 July 1973 it adopted a Regulation on the procedure to facilitate the issue of movement certificates under the provisions governing trade between the EEC and certain countries. On 17 December 1973 it adopted a Regulation amending Regulation (EEC) No 1496/68 on the definition of the customs territory of the Community.

(b) Elimination of technical obstacles to trade

20. As part of the General Programme to eliminate technical obstacles to trade in industrial products the representatives of the Governments of the Member States meeting in Council concluded an agreement on 5 March 1973 amending the Agreement of 28 May 1969 concerning standstill and information for the Commission and on 21 May 1973 the Council adopted a Resolution supplementing this General Programme.

In adopting this supplement to the programme the Council took account of the fact that the increase in trade and the increased importance of environmental and human health protection problems had revealed technical obstacles in other sectors than those mentioned in the initial programme.

21. In addition, as part of this General Programme, the Council adopted two Directives concerning motor vehicles, viz. on 17 December 1973 the Directive on the approximation of the laws of the Member States relating to devices to prevent the unauthorized use of motor vehicles and also on 17 December 1973 the Directive on the approximation of the laws of the Member States relating to the interior fittings of motor vehicles (interior parts of the passenger compartment other than the interior rear-view mirrors, lay-out of controls, the roof or sliding roof, the back-rest and rear part of the seats).

These two Directives form part of the Community type approval procedure which was the subject of Council Directive No 70/156/EEC. Whereas the first Directive is concerned with the construction and testing of the anti-theft device on certain categories of motor vehicles, the aim of the second Directive is to reduce the risk or seriousness of injuries which drivers of motor vehicles could sustain.

22. The Council adopted 9 Directives which it had already approved at its session of 18/19 December 1972. These Directives are on the harmonization of the laws of Member States relating to electrical equipment designed for use within certain voltage ranges (19 February 1973), the quantitative analysis of ternary fibre mixtures (26 February 1973), the classification, packaging and labelling of dangerous substances (21 May 1973), classification, wrapping and labelling of dangerous preparations (solvents) (14 June 1973), non-automatic weighing machines (19 November 1973), the certification and marking of wire-ropes, chains and hooks (19 November 1973), material measures of length (19 November 1973), detergents (22 November 1973) and methods of testing the biodegradability of anionic surfactants (22 November 1973).

3. INDUSTRIAL PROPERTY

23. During the period under review the Working Party on the training of the European patents office personnel set up by the Inter-Governmental Conference for the Institution of a European

System for the Granting of Patents held three meetings. During these it drew up a report and a recommendation on the training of personnel for the European patents office for the use of the Diplomatic Conference for the Institution of a European System for the Granting of Patents, which met in Munich in autumn 1973.

This conference, which was organized by the government of the Federal Republic of Germany and attended by the Council Secretariat, was held in Munich from 10 September to 5 October 1973. Delegations from twenty-one European countries, four inter-governmental organizations and fourteen non-government organizations participated. At the end of the conference a series of acts were signed by fourteen participant states, among whom were the nine Member States of the European Communities. These acts were the agreement on the granting of European patents, the relevant executive Regulation and four protocols. In addition several other documents were approved, including a Decision on certain preparatory work for opening the European patents office which lays down that an interim committee shall be set up to make the physical preparations for opening the office. This Committee will be assisted by the Council Secretariat and will start work at the beginning of 1974.

24. During the period under review work also progressed on Community patents. The team of experts on Community patents completed its work at its meeting of 19-30 March 1973 and submitted to the Committee of Permanent Representatives the draft agreement on the European patent for the Common Market and draft appended documents. These drafts were published in the Summer of 1973. In its meeting on 10-13 December 1973 the team of experts amended these drafts to conform with the wording of the agreement on European patents which was signed in Munich on 5 October 1973.

25. All these drafts will be submitted for adoption in May 1974 to a Conference in which the Member States and the Commission of the European Communities will take part.

D — Industrial policy

26. In a Resolution of 17 December 1973 on industrial policy the Council drew up a time-table for completing the first phase of the action programme laid down in this field by the declaration of the

Heads of State or Government of Member Countries of the Community on 21 October 1972.

27. This time-table, which is not immutable and may be amended, covers the following fields: abolition of technical barriers to trade in foodstuffs and industrial products, gradual and effective liberalization of public supply contracts, abolition of fiscal barriers to closer relations between undertakings, European-scale promotion of competing undertakings which use advanced technology, conversion and modernization of certain sectors of industry, control of conglomerates, the problem of the development of multi-national companies, credit insurance and supplies of raw materials.

28. The Council Resolution gives dates by which the Council expects to start its examination of the proposals submitted in these various fields, act on these proposals or adopt initial measures, as the case may be.

29. In connection with this Resolution the Representatives of the Governments of the Member States, in a statement made on 17 December 1973, undertook, to do their utmost to complete the work on the Agreement on international mergers promptly, to conclude the work on the conventions on the effects of bankruptcy without delay and to do everything necessary to ensure that the Convention on the European Patent for the Common Market comes into force in time for the European Patent Office to start operating in 1976.

E — Transport

1. GUIDE-LINES FOR THE COMMON TRANSPORT POLICY

30. At its meeting on 22 November 1973 the Council held an initial exchange of views on guide-lines for the common transport policy, on the basis of a memorandum from the Commission. It emphasized that considerable progress must be made in the field of transport so as to avoid any risk of hindering the satisfactory development of other policies, particularly structural policies within the Community, such as regional, industrial, social, environmental, energy policies etc. and it stressed the importance of maintaining its dialogue with the Commission. These matters raise certain problems, particularly on the coordination of investments in the infra-structures,

the development of future technologies, the liberalization of transport which should be accompanied by the harmonization of rules of competition, and the re-organization of the railway companies. The Council will continue to discuss the problems raised by the Commission's memorandum.

2. LIBERALIZATION OF ROAD TRANSPORT

31. At its session of 22 November 1973 the Council gave its assent to a Directive extending the liberalization of certain classes of road transport. This mainly concerns light goods vehicles, goods transported on the haulier's own account and a number of individual cases.

3. WEIGHT AND SIZE OF COMMERCIAL ROAD VEHICLES

32. At its session of 22 November 1973 the Council continued its examination of the proposed Directive on this matter submitted by the Commission. Discussion was mainly concentrated on maximum axle loads (10 t or 11 t) and their effects on the environment, costs and wear on the infra-structures, traffic flow and road safety. The Council retained these matters on its agenda.

4. COMMUNITY QUOTA FOR THE ROAD TRANSPORT OF GOODS BETWEEN THE MEMBER STATES

33. At its session of 22 November 1973 the Council examined a draft regulation amending regulation (EEC) No 2829/73 on the Community quota for the road transport of goods between the Member States. The purpose of the proposal is to increase quotas to allow for trade with the new Member States and the expected effects of increased trade between the Member States following the enlargement of the Community. The Council retained this matter on its agenda.

5. HARMONIZATION OF SOCIAL LEGISLATION RELATING TO ROAD TRANSPORT

34. At its session of 22 November 1973 the Council examined two Commission reports on the implementation of Council Regulation

543/69 of 25 March 1969 on certain social provisions in the field of road transport.

It noted that there was a considerable lack of uniformity in the methods used by the Member States in implementing the Regulation and also in the control procedures and the penalties for infringement. The Council therefore asked the Member States to ensure that the Regulation was applied strictly and uniformly at national level.

6. RIGHT TO ENGAGE IN THE BUSINESS OF THE CARRIAGE OF PASSENGERS AND GOODS BY ROAD

35. The aim of the Regulations under consideration in this field is to facilitate the abolition at an early date of restrictions on the freedom of establishment of road hauliers, and the development towards a Community system based on healthy competition, by instituting a uniform set of conditions governing the right to engage in this business. The main feature of the Regulations will be the introduction of training which will produce the same level of professional competence throughout the Community. At its session of 22 November 1973 the Council agreed to accelerate this work with a view to adopting the Regulations in question during the first half of 1974.

7. COOPERATION AMONG THE RAILWAYS OF THE NINE COMMUNITY COUNTRIES

36. At its session of 16-17 July 1973 the Council agreed to reply by memorandum to the report for 1972 submitted by the association of railway companies of the nine countries of the European Communities.

In its reply it indicated its interest in the effort made by the railways to create a European railway company and requested the association to submit a report on the setting up of a European main-line network.

8. ECSC TRANSPORT

37. The Government Representatives of the ECSC Member States meeting in Council on 22 November 1973 approved a supplementary

agreement to the agreement of 21 March 1955 on the establishment of through international railway tariffs. This supplementary agreement grants the Danish railways a transitional period for the terminal charge mentioned in Article 4 of the 1955 agreement. The transitional period will end on 31 January 1975.

38. At the same session the Ministers indicated their agreement in principle on two supplementary protocols to the ECSC/Switzerland agreement of 28 July 1956 and the ECSC/Austria agreement of 26 July 1957 on the establishment of through international railway tariffs for the transport of coal and steel. These two supplementary protocols make provision for the new Member States to adhere to the ECSC/Switzerland and ECSC/Austria agreements.

39. During the meeting on 22 November 1973 the Ministers deliberated on the necessity of amending the agreement of 21 March 1955, to take account in particular of the enlargement of the Communities. They instructed the Commission, together with the railway experts on the ECSC tariff, to draw up a list of problems which had arisen and to draw up a draft amendment to the agreement if necessary.

F — Iron and steel industry

ACTIVITIES RELATING TO THE ECSC TREATY

1. JOINT RULES

40. On 10 August 1973 the Commission submitted a request for the unanimous assent of the Council to a draft Commission Decision on the definition of the unit of account used in the Decisions, recommendations, opinions and memoranda in connection with the Treaty establishing the European Coal and Steel Community. It also submitted a request for consultation with the Council, in implementation of the provisions of Article 50, paragraph 2, of the ECSC Treaty, on a Commission Decision on the parities of the Member States' currencies in terms of the unit of account used in the Decisions, recommendations, opinions and memoranda relating to the ECSC Treaty.

41. The first draft confines itself to confirming the gold content of the ECSC unit of account, namely 0.88867088 grammes of fine gold, following the withdrawal from the European Monetary Agreement on 31 December 1972. The aim of the second draft is to eliminate existing distortions on the ECSC market, particularly in the matter of allotting the levies provided for by Article 49 of the Treaty among those liable, which are due to the fact that the conversion rates of the different currencies into units of account were based on their parity against gold as declared to the International Monetary Fund. The Commission therefore proposed that as from 1 January 1974 the currencies of the Member States should no longer be converted on the basis of official parities but on the basis of their effective parities, for the currencies within the Community 'snake', or at representative rates for the currencies floating independently.

42. At its 271st meeting on 17/18 December 1973 the Council gave its assent and granted the consultation requested by the Commission.

2. INVESTMENTS AND FINANCIAL AID

43. On two occasions the Council was called on by the Commission to give its assent, under Article 55 (2) (c) of the Treaty establishing the European Coal and Steel Community, to a grant with a total amount of 7 577 405 u.a. for technical research in the iron and steel industry, 2 463 190 u.a. at its 252nd meeting on 23/24 July 1973 and 5 114 215 u.a. at its 262nd meeting on 19/20 November 1973.

44. At its 271st meeting on 17/18 December 1973 it also gave the assent requested by the Commission under Article 55 (2) (c) of the Treaty establishing the European Coal and Steel Community for an amount of 10 000 000 u.a. for the third research programme on pollution control in the iron and steel industry, to be carried out over a period of five years.

G — Environment

1. APPROVAL OF A EUROPEAN COMMUNITIES PROGRAMME OF ACTION ON THE ENVIRONMENT

45. The discussions which began in the spring of 1972 on the 'Memorandum from the Commission to the Council on a programme of the European Communities on the environment'¹ were actively pursued at the beginning of 1973. They gave the Commission a better appreciation of Member States' points of view and enabled it to submit to the Council on 17 April 1973 a draft European Communities programme of action on the environment. This was, in fact, an extensively revised version of the 'Memorandum from the Commission on a programme of the European Communities on the environment' mentioned above.

The Considerable preparatory work on the draft programme culminated on 19 July 1973 in the adoption of a 'Declaration of the Council of the European Communities and of the Representatives of the Governments of the Member States meeting in Council on the programme of action of the European Communities on the environment'. When it had been finalized in the Community languages, the programme was definitively adopted at the meeting of the Council on 22 November 1973 and was published in the Official Journal.² In establishing a programme of action with a precise time-table before 31 July 1973 the Council thus met the first deadline fixed by the conference of Heads of State or Government of Member States or acceding States to the European Communities held in Paris on 19-21 October 1972.

The programme lays down first of all the objectives and principles of a policy of the environment in the Community and in its second part it requires the institutions of the European Communities and the Member States to undertake certain action within specified periods to reduce pollution and nuisances and to improve the environment. This part commends the very active cooperation which the Community has entered into with most international organizations dealing with environmental problems, and restates the legal basis which guides the environmental activities of the Communities.

¹ OJ No C 52 of 26.5.1972.

² OJ No C 112 of 20.12.1973.

2. AGREEMENT ON INFORMATION CONCERNING THE ENVIRONMENT

46. On 5 March 1973 the Representatives of the Governments of the Member States meeting in Council concluded an 'Agreement on information for the Commission and for the Member States with a view to possible harmonization throughout the Communities of urgent measures concerning the protection of the environment'.¹ This agreement institutes a procedure between the Member States and the Commission to provide information on any project on the national scale relating to the protection of the environment and affecting the Communities and the Member States. It institutes a 'stand-still' procedure which delays the adoption of national provisions in cases where the Community intends to take measures on the same matter. At international level it also lays down the actions of the Communities on the environment.

47. Since in adopting this agreement the Council decided that its definitive legal form would be fixed when the Council adopted the programme of the European Communities on the environment, the Commission appended to its draft action programme, dated 17 April 1973, a proposal to the Council to convert the agreement into a Decision. At its meeting of 19 July 1973 the Council considered it wiser provisionally to maintain the agreement in its existing form. It invited the Committee of Permanent Representatives to make a report in a year's time on the desirability of changing the legal form of this agreement in the light of experience acquired in the meantime.

3. RELATIONS WITH OTHER INTERNATIONAL ORGANIZATIONS

(a) *Conditions for implementing the procedure for the notification and consultation of the OECD by the Community and the Member States in the matter of the protection of the environment*

48. On 26-27 March 1973 the Council of the Communities defined the procedure by which the Community would implement the Resolution adopted at the 254th meeting of the OECD Council on a 'procedure for notification and consultation on measures relating to substances affecting man or his environment'. The Council decided that Community measures and draft measures for the

¹ OJ No C 9 of 15.3.1973.

protection of the environment would be notified to the secretariat of the OECD. The Member States and the Commission would inform each other of any notification or consultation. They could then agree and take appropriate measures on the matter. If one Member State wished to submit a request for consultation to another Member State the matter would first be discussed at Community level.

(b) Coordination of views between the Member States and the Commission on international environmental schemes

49. In implementation of the agreement on information mentioned above the Member States coordinated their views on several occasions on various international environmental schemes thus following a well-established Community practice.

50. Meetings to coordinate views have therefore been held in connection with the following meetings: — the Governing Council of the United Nations environmental programme, the Advisers of the governments of the countries of the Economic Commission for Europe for problems of the environment, the OECD Environment Committee, the NATO Committee on the challenges of modern society, and the International Commission for the protection of the Rhine against pollution.

51. At the request of the Council of Europe, the members of the Community met before the ministerial conference on the natural environment, which was organized in Vienna on 28-30 March 1973. They discussed the Council of Europe plan for a European convention on the protection of international inland waterways against pollution and that of the IMCO conference for the prevention of pollution of the sea by ships.

52. Particularly vigorous efforts were made to coordinate views on the draft Paris convention on the prevention of pollution of the sea by substances originating on land, and this enabled the Member States to take up joint or harmonized positions.

CHAPTER II

Economic, financial, regional and social policy, education and youth

A — Economic and financial policy

53. The various matters examined by the ministers of finance and the economy in the Member States of the Community during 1973 can be grouped under four headings, namely: the resurgence of the international monetary crisis in February and March 1973, coordination of Member States' short-term economic policies and anti-inflation measures, the creation of the European Monetary Cooperation Fund and progress towards Economic and Monetary Union.

1. THE RESURGENCE OF THE INTERNATIONAL MONETARY CRISIS IN FEBRUARY AND MARCH 1973

54. During the first part of the year the Council examined in particular the problems raised by a further crisis in the international monetary system. A very marked weakening of the United States dollar at the beginning of February resulted in a massive influx of capital in certain member countries of the Community, notably the Federal Republic of Germany and to a lesser extent Belgium, Denmark and the Netherlands. Purchases by the Bundesbank to support the dollar amounted to 5.9 thousand million dollars in the first nine days of February. The Community foreign exchange markets were all closed on 12 and 13 February 1973.

55. On 12 February, the United States government announced a second devaluation of the dollar of 10%, which caused the official price of gold to rise from 38 to 42.22 dollars per ounce.

On 13 February Italy, which on 22 January 1973 had introduced a two-tier exchange rate, decided to float the commercial lira in the same way as the financial lira. On 14 February the Japanese government decided to let the yen float independently.

56. The Council of Ministers met on 14 February to analyse the various aspects of these events in the monetary field. The Council emphasized its concern that short-term monetary support should be arranged quickly and that the possibility of progressive pooling of reserves should be examined. It also emphasized that it was important for the Community to come to a joint agreement on the reform of the international monetary system so as to give extra impetus to the efforts of the IMF Group of Twenty. Nevertheless the attainment of economic and monetary union remained the prime objective in the building of Europe.

57. As a result of the monetary events mentioned above, at the end of February 1973 the foreign exchange markets of the Community Member States were operating various systems. The Federal Republic of Germany, the Netherlands and Denmark were operating fixed exchange rates, which meant that they were within the intervention limits agreed at Community level and also those agreed internationally. France, Belgium and Luxembourg also had fixed exchange rates, but only for the commercial or regulated market, as they operated a two-tier system. The currencies of the United Kingdom and Ireland were floating, as was the lira, although Italy retained the two-tier system.

58. In spite of hopes for a relaxation in tension on the foreign exchange markets following the American and Japanese decisions taken in February, and the measures to control the movement of capital taken in many quarters, a new monetary crisis arose at the beginning of March and caused the European foreign exchange markets to close for a record period, from 2 to 19 March 1973. The Council met three times during this period.

59. On 4 March 1973 the Council noted that the crisis could not have been due to the exchange rates obtaining at that time between the major currencies but was caused by a lack of confidence on the part of speculators, and examined various suggestions for a common viewpoint and emphasized its wish for a meeting to be held at which the Community and the main states concerned could coordinate their views.

60. This meeting was organized in Paris for 9 March 1973 as a meeting of the Committee of Ten and was attended by representatives from Denmark, Ireland, Luxembourg, Switzerland, the European Commission, the BIS, the IMF, the OECD and the Committee of Twenty. On the day before the meeting the Council finalized the main points of the Community attitude and entrusted the President with the task of explaining them to the other countries attending the meeting. The Community's opinion was that all the states who were members of the International Monetary Fund, and particularly the countries represented in Paris, should contribute as far as they were able to the preservation of an international system based on ordered relations between the exchange rates. To this end, the Community proposed three sets of measures for consideration, interventions in the foreign exchange markets, measures to give greater control over internal and international liquidity, and the control of movements of capital.

61. The Council met a third time on 11 March 1973 to discuss the measures to be taken to meet the international monetary crisis, particularly in the light of the meeting of the enlarged Group of Ten which had been held in Paris on 9 March 1973. The Council adopted a joint declaration, the main points of which were as follows.

Six Community currencies (the Deutschemark, the Danish kroner, the florin, the Belgian franc, the Luxembourg franc and the French franc) remained within the Community 'snake' with a margin of no more than 2.25 %.

The central banks were no longer under any obligation to intervene when the American dollar fluctuated slightly. The Directive of 21 March 1972 was to be implemented more vigorously and additional controls instituted so as to protect the system against capital flows which would create instability. Furthermore, the British, Irish and Italian members of the Council stated that their governments proposed to associate themselves as soon as possible with the decision to keep within the Community 'snake'. The representative of the Federal Republic of Germany indicated his government's intention to make a limited adjustment to the central exchange rate for the Deutschemark before the exchange markets subsequently reopened so as to help the ordered development of exchange rates.

On 16 March the enlarged Group of Ten met again in Paris. On this occasion its members re-affirmed their determination to provide a joint system of ordered exchange rates.

62. When the exchange markets re-opened on 19 March 1973 the Deutschemark was revalued upwards by 3% and the German, French, Danish and Benelux currencies floated jointly against non-Community currencies. France and Belgium however maintained a two-tier exchange market. The United Kingdom, Ireland and Italy floated independently, but Italy also retained its two-tier exchange system.

63. Except for two adjustments in central rates, — revaluation of the Deutschemark by 5.5% on 29 June 1973 and revaluation of the florin by 5% on 17 September 1973 — there were no material changes in this situation until 19 January 1974, when the French government decided to withdraw the franc for a period of 6 months from the Intra-Community Monetary Agreement.

64. Finally it must be pointed out that the international monetary situation has changed considerably in the wake of the Middle East crisis of October 1973. The American dollar, which until then had been inordinately weak on occasions, became noticeably firmer on all the exchange markets. Furthermore, the initial restrictions on energy and the subsequent rapid increase in prices of petroleum products gave rise to new problems of the gravest importance for the Community member countries' balances of payments. The aftermath of these events is now one of the Council's preoccupations for 1974.

2. COORDINATION OF THE SHORT-TERM ECONOMIC POLICIES OF THE MEMBER STATES AND ANTI-INFLATION MEASURES

65. Inflationary tensions, which had already been in evidence in the economic situation in 1972, grew worse during 1973 and were thus the major preoccupation of the departments responsible for economic policy in the Member States. Since inflation and its ramifications were universal, Member States followed procedures which had already been established at Community level to coordinate their policies and they also adopted specific anti-inflation programmes.

66. In accordance with its Decision of 22 March 1971 on the coordination of short-term economic policies of the Member States,¹

¹ OJ No L 73 of 27.3.1971.

the Council held three meetings to discuss the economic situation in the Community, on 22 March, 28 June and 9 November.

67. At the first meeting on 22 March the Council reviewed the previous year's economic policy and adjusted the policy for the current year in response to the pressures of economic trends. It examined in particular the effects of the anti-inflation programme adopted on 5 December 1972.¹ The Council noted at this meeting that several anti-inflation measures had been taken by the Member States but that increases in costs and prices were still excessive, and urged the Member States to use all the means appropriate to their particular circumstances to hold firmly to the course of action on which they had embarked to reduce the rate of price increases as set out in the Resolution of 5 December 1972.²

68. On 28 June the Council took note of the proposals for the public budgets for 1974 and 1974/1975 and for the financing of these, which were submitted by the Commission. It was also agreed that these proposals would be re-examined when the annual report on the economic situation in the Community was adopted. Furthermore the Council gave its assent to a number of further measures to be taken against inflation, which were adopted in the form of a Resolution on 14 September 1973.³ The aim of these measures was to strengthen the programme of action adopted on 5 December 1972 and make it more specific. The following major policies were adopted:

Monetary policy for 1973 should have the object of substantially reducing the rate of expansion of the money supply (money and quasi-money). The expansion of credit should also be restricted. Consumer credit and credit for construction and property transactions should be subject to particular scrutiny. A high level of savings should be maintained or encouraged by appropriate manipulation of interest rates or taxation. Furthermore the Committee of the Governors of the Central Banks was instructed to keep a close watch on the situation and to report to the Council on the results of these measures.

Structural policies should be adjusted so as to reduce regional imbalances and to improve the employment structure. Following

¹ OJ No C 133 of 23.12.1972.

² OJ No C 133 of 23.12.1972.

³ OJ No C 75 of 19.9.1973.

a policy coordinated at Community level the Member States should endeavour to direct a considerable proportion of new corporate investment towards those Community areas where the level of economic development is lowest.

Budgetary policy should provide for tight management of public funds in the second half of 1973, both by central government and local authorities. The rate of growth of actual spending should come as close as possible to the guidelines laid down in the first anti-inflation programme adopted on 5 December 1972. Furthermore the rate of growth of expenditure provided for in all the draft budgets for 1974 should be lower than the foreseeable rate of growth in 1973 as compared with that for the previous year. However, an exception was made in the case of Ireland and Italy, where budgetary policy should stimulate the economic upswing without jeopardizing the moves to moderate price increases. Any budget deficits in 1973 and 1974 would normally have to be financed by long-term borrowing which would thus be compatible with the aims of the monetary policy. The budgetary policy committee was instructed to examine every three months the extent to which the implementation of the budget was in accordance with the guidelines adopted at Community level and to report to the Council before 30 January 1974.

Other means of containing the rise in prices should be explored by means of official price control organizations, the removal of barriers to trade, the liberalization of the market for certain products (medicaments, public works, etc.), government control of practices restricting competition etc. It was recognized that the support of the government departments responsible for the economy and that of both sides of industry in the field of prices and incomes would continue to be essential to any policy aiming to moderate the rise in prices.

69. When the third annual review was carried out on 9 November the Council adopted the Annual Report on the Economic Situation in the Community.¹ An extract from the press release issued by the Council at the end of the meeting is given below:

'The annual report for 1974 stresses that the fight against inflation remains the main economic policy goal in the Com-

¹ OJ No C 107 of 8.12.1973.

munity. All available instruments should be deployed by the authorities acting along the convergent lines and with due regard for Community solidarity so that the action initiated can be maintained and intensified.

Thus in budgetary policy all members should scale down the growth rate of government expenditure within their budgets for the financial year to come and ensure that an appreciable improvement in budget balances is achieved.

In the countries where the budget is at present showing a deficit this deficit should to the maximum extent possible be financed by long-term borrowing, particularly in those countries where monetary financing of the deficit was large in 1973.

...

In the monetary field the measures taken pursuant to the Resolutions of 5 December 1972¹ and 14 September 1973² should be continued and even strengthened in those member countries where the money supply is still expanding too rapidly. In particular the excessive expansion of bank lending should be curbed. A high level of interest rates is still necessary; policy in this field must be closely coordinated at Community level. To make saving sufficiently attractive, deposit interest rates should take greater account of the erosion of purchasing power.

...

The anti-inflation struggle must be supported by a positive policy on competition, price control and improve the regional distribution of new investment.

It is important that the various economic and social groups contribute to the fight against inflation and be fully aware of the economic and social effects of excessive increases in nominal incomes and by moderating still further their incomes and price claims.

As the fight against inflation goes on and its scope widens more attention must be given to achieving a fair division of

¹ OJ No C 133 of 23.12.1972.

² OJ No C 75 of 19.9.1973.

the efforts and sacrifices which must be made in the common interest. The greatest possible protection must be afforded in this context to the economically weakest sections of the population'.

70. The economic difficulties which occurred at that point were not to disappear during the months which followed. The new Middle-East crisis of October 1973 was to raise new and more complex problems. The quantity restrictions initially imposed by the oil-producing countries and the subsequent rapid increase in prices threatened to aggravate existing inflationary tensions in the long term and to jeopardize the level of economic development already achieved.

71. With these new problems in mind the Council, at its meeting on 3 and 4 December 1973, prepared a 'Resolution on measures to be taken against rising prices and the maintenance of a high level of employment in the Community'.¹ This Resolution lays down that the Member States, during the early months of 1974, should rapidly implement a number of parallel measures designed to have a positive effect on current inflationary tensions. However, the effects of the energy crisis on the Community economic situation and the foreseeable longer-term consequences cannot be fully evaluated at this stage.

3. THE CREATION OF THE EUROPEAN MONETARY COOPERATION FUND

72. At its meeting of 22 March 1973 the Council decided to create a European Monetary Cooperation Fund, in accordance with the undertaking made by the Heads of State or Government when they met in Paris in October 1972. The Act establishing the Fund was signed on 2 April 1973 in Luxembourg² and the date of its entry into force was laid down as 6 April 1973. The city of Luxembourg was chosen as the provisional operational headquarters for the Fund.³

The European Monetary Cooperation Fund — an organization with legal personality — must seek to promote the progressive

¹ OJ No C 116 of 29.12.1973.

² OJ No L 89 of 5.4.1973.

³ Decision of the Government Representatives of the Member States of 23 July 1973 on the provisional location of the European Monetary Cooperation Fund.

narrowing of the margins of fluctuation of the Community currencies against each other, interventions in Community currencies on the exchange markets and settlements between central Banks leading to a coordinated policy on reserves.

In the initial stage the Fund is responsible in particular for coordination to ensure that the Community exchange system functions smoothly, the multilateralization of positions resulting from interventions by central Banks in Community currencies and the multilateralization of intra-Community settlements, the administration of the very short-term financing provided for by the agreement between the central Banks of the enlarged Community of 10 April 1972 and of the short-term monetary support provided in the Agreement between the central Banks of the Community of 9 February 1970, to which the central Banks of Denmark, Ireland and the United Kingdom acceded with effect from 8 January 1973, and their regroupment in a renewed mechanism. The existing monetary agreements between central Banks, i.e. short-term monetary support and very short-term support thus become the administrative rules of the Fund.

73. The Fund is administered and managed by a board of governors, made up of members of the Committee of Governors of the Central Banks of the Member States of the EEC. A member of the Commission takes part in the proceedings of the Board of Governors.

In its work the Board of Governors must act in accordance with the general economic policy guidelines drawn up by the Council. A report on the board's activities must be drawn up twice a year, on 30 June and 31 December of each year, for submission to the Council and the Commission.

The creation of the European Monetary Cooperation Fund constitutes an important step towards the progressive attainment of economic and monetary union. It can now be said to constitute an embryo Community system of central banks which will be the means in the future of attaining and supporting Community monetary integration.

4. PROGRESS TOWARDS ECONOMIC AND MONETARY UNION

74. Following the difficulties in the international monetary system at the beginning of the year matters relating to economic and monetary union were in the forefront of Community activities to the end of the year.

75. In implementation of item IV of the resolution of 22 March 1971 on the gradual attainment of economic and monetary union, and the 'economic and monetary policy' section of the declaration of the Heads of State or Government at their meeting in Paris in October 1972, on 30 April 1973 the Commission submitted to the Council a 'memorandum on the progress made during the first stage of economic and monetary union, the allocation of functions and responsibilities among the institutions of the Community and the Member States necessary to the smooth running of economic and monetary union, and measures to be adopted during the second stage of this union'.

76. This memorandum was the subject of an initial exchange of views among Ministers for Foreign Affairs at the Council meeting on 14 and 15 May 1973. The Ministers for Finance and the Economy also discussed the problems raised by the memorandum in general terms and the meeting of 28 June 1973.

77. The Commission document was subsequently examined by the Council. On 12 July 1973 the Committee of Permanent Representatives set up an *ad hoc* working party with the task of drawing up a report on two aspects, namely summary of progress made during the first stage and matters to be taken into consideration on passing to the second stage. The Committee of Permanent Representatives drew up its own report on the basis of this first report and submitted it to the Council on 9 November 1973.

78. At the same time as the memorandum on economic and monetary union was being discussed the Commission submitted to the Council at its meeting of 28 June 1973 a 'Report on the administration of short-term monetary support and conditions for pooling reserves', in accordance with the declaration of the Paris summit in October 1972. After a general exchange of views within the Council this report was submitted to the Monetary Committee and the Committee of Governors of the Central Banks. These Committees delivered their opinion in the course of October 1973.

79. Following the meeting of the Council on 9 November 1973 and on the basis of the guidelines which had emerged from the Council's discussions and the preparatory work of the various Committees, the Commission submitted a number of formal proposals on matters relating to economic and monetary union and the administration of short-term monetary support and the pooling of reserves.

These proposals provided for a draft Resolution on the attainment of the second stage of economic and monetary union in the Community, a proposed Directive on stability, growth and full employment in the Community, a proposal on the attainment of a high degree of convergence of the economic policies of the Member States of the Community, a proposed Regulation modifying Regulation No 907/73/EEC of 3 April 1973 establishing a European Monetary Cooperation Fund and a draft Decision establishing an Economic Policy Committee.

80. These five proposals were submitted to the Council, along with reports from the Committee of the Permanent Representatives and the Committee for the coordination of short-term economic and financial policy, for the first time on 3 and 4 December, and a second time on 17 December 1973, when the Council gave its assent on the four following texts, which were formally adopted on 18 February 1974, namely a Directive on stability, growth and full employment in the Community, a Decision on the attainment of a high degree of convergence of the economic policies of the Member States of the European Economic Community,¹ a Resolution concerning short-time monetary support,² and a Decision setting up an Economic Policy Committee.³

The aim of the Directive seeking to promote stability, growth and full employment in the Community is to equip the Member States with a comparable set of economic and monetary policy instruments which can be used to follow the guidelines for economic and monetary policy adopted by the Council. Thus the Member States should be in a position, within a maximum time limit of 90 days and for a limited period, to slow down or accelerate the rate of public spending and to modify direct or indirect taxes. The necessary measures ought to be taken to enable the appropriate authorities to freeze the yield of excess tax revenue or of loans temporarily, and to release such funds at a later date. The Member States should provide themselves as far as necessary with the means required to enable the debts of local authorities and social security agencies to be controlled. The monetary authorities should be invested with, in particular, instruments enabling them to modify the borrowing and lending interest rates paid or charged by public credit agencies, to impose or modify conditions for consumer credit, hire-purchase

¹ OJ No L 63 of 5.3.1974.

² OJ No C 20 of 5.3.1974.

sales and mortgage credit and quantitative or qualitative credit control.

Member States must be in a position to impose, where necessary, without delay and for a temporary period, an overall or selective restriction on the rise in prices and income.

The second text lays down a series of institutional procedures and coordination machinery so as to produce a higher degree of convergence of the economic policies of the Member States. In accordance with these the Council sets aside each month a specific day, chosen in advance, for meetings on economic and monetary matters. Three of these meetings each year are devoted to an examination of the economic situation in the Community and the adoption of guidelines on economic policy which the Community and each Member State are to follow in order to achieve harmonious economic development.

A specific programme which the Commission must submit to the Council for adoption at least once every five years deals with medium-term policy. The purpose of this programme is to facilitate and guide structural changes — sectoral, regional and social, and to ensure the convergence of overall economic policies. Standing consultations on the general economic policy measures envisaged by the Member States take place within the coordinating committee on short-term economic and financial policies, and these consultations can be taken to Council level by an emergency procedure if the situation makes this necessary. There is provision for prior consultations if any Member State intends *de jure* or *de facto* to change, discontinue or re-establish the parity, central rate or intervention points of its currency. The Central Banks have been asked to strengthen the permanent coordination of their monetary policies especially as regards the development of the money supply and bank liquidity, conditions for granting credit and the level of interest rates. Lastly, on the basis of a report submitted by the Commission, the Council examines the application of this Decision once a year and the conformity of the policies pursued with the objectives set.

The Resolution concerning short-term monetary support provided the European Monetary Cooperation Fund with a greater credit capacity. The Council adopted this Resolution 'until such time as it (could) take a decision on the proposal from the Commission concerning the European Monetary Cooperation Fund'. At its meeting of 3 and 4 December 1973 the Council had decided to confine itself

at this stage to adjusting short-term monetary support and to ask the Monetary Committee, the Board of Governors of the central banks and the Board of Governors of the European Monetary Cooperation Fund to report to it by 31 March 1974 on the proposal from the Commission concerning the pooling of reserves. In the light of this report and on the basis of new proposals from the Commission the Council proposed to discuss this matter by 30 June 1974 at the latest.

The decision setting up an Economic Policy Committee seeks to rationalize the organization of the work of three different committees concerning economic policy, budgetary policy and medium-term economic policy. The concentration of all economic policy matters under a single committee will result in better and closer coordination of ideas.

81. On 17 December 1973 the Council also gave its assent to a draft Resolution concerning the attainment of the second stage of economic and monetary union in the Community, except for the section on structural policies, which was to be drawn up in accordance with the Council's deliberations on regional policy.¹

5. CREDIT INSURANCE, CREDIT GUARANTEES AND FINANCIAL CREDITS

82. Proceedings during the period under review had been against a background of continual growth in export credit, the development of procedures for giving guarantees and credit and their liability to distort competition and the necessity of maintaining the competitiveness of enterprises in member countries in export markets.

83. In the field of policy coordination two new elements appeared. Firstly, on 3 December 1973 the Council adopted a Decision implementing new consultation and information procedures, with effect from 1 January 1974, in matters of credit insurance, credit guarantees and financial credits.² In its essentials the advantages of this new decision lie in the extension of procedures to a series of

¹ At the time this Review was prepared the section on structural policies had not been drawn up and consequently the draft Resolution had not yet been adopted by the Council.

² Decision 73/391, OJ No L 346 of 17.12.1973.

operations (for example the granting of tied credit for services, the granting of non-tied credits, certain leasing contracts) and also, as regards prior consultation, in a rationalization of the items to be submitted for consultation. This procedure, which may be examined when the Council receives the results of the work at present in progress on a proposed Regulation laying down joint principles and an administrative procedure for the duration of guarantees and credits for exports to certain non-Community countries, does not necessarily exhaust the possibilities for coordinating attitudes. In accordance with the terms of reference given to the policy coordination group for credit insurance, credit guarantees and financial credits by the Council Decision of 27 September 1960, any consultations and exchanges of views may also take place within the group on operations which do not fall within the category of obligatory consultation or information as defined in the Decision mentioned above.

Secondly, efforts have begun to conclude sectoral agreements with the western industrialized countries laying down credit conditions for certain types of goods. In this connection the Council adopted a Decision on 18 June 1973 on the position of the Community within the OECD regarding a sectoral agreement on the conditions for granting credits for the supply of civil aircraft. Proposed Decisions concerning the negotiation of two other sectoral arrangements are also under consideration.

84. Without prejudice to these Decisions, detailed work is also being carried out on the harmonization of certain procedures. Under the heading of general conditions for guarantees, for the account or with the support of the State, for certain risks concerning credit operations for suppliers or private financial credits, mention should be made of the deliberations which are in progress on several proposed Directives which, within the general framework established by Annexes D to the Directives 70/509 and 70/510 of the Council, are designed to supplement the Acts on harmonization so as to bring several policies or joint principles into force simultaneously with joint premium systems.

85. Furthermore, also in the field of insurance systems, more work has been done on private investment guarantees following the submission of a proposed Regulation by the Commission establishing a Community guarantee system for private investments in Community countries.

86. Lastly, another factor broadening the scope of the work is the fact that this is no longer exclusively concerned with harmonizing insurance systems but also covers export financing, since the Commission submitted a proposed Regulation concerning government measures affecting interest rates for credits to finance exports to industrialized countries and state-trading countries.

6. TAXATION

87. On 9 April 1973 the Council adopted two Directives concerning tax on capital formation.

(a) Directive fixing common rates of tax on capital formation

88. This Directive, which comes under the provisions of Article 7 of the Council Directive of 17 July 1969 concerning indirect taxes on the raising of capital,¹ constitutes the first instance of harmonization of taxation rates at Community level. It lays down that in all Member States, with effect from 1 January 1976, the capital duty rate of 1% and reduced rates, between 0% and 0.50%, shall be applicable for certain capital raising operations.

(b) Directive varying the field of application of the reduced rate of tax on capital formation

89. The aim of this Directive is to extend the reduced rate of capital duty to certain company restructuring operations which can be regarded in the same light, from the economic point of view, to mergers. This concerns operations involving the exchange of shares between a company and the shareholders of another company.

B — Regional Policy

90. Pursuant to the decisions in principle taken by the conference of Heads of State or Government in Paris on 19-21 October 1972,² on 4 May 1973 the Commission submitted a report to the Council by

¹ OJ No L 249 of 3.10.1969 and No L 269 of 28.10.1969.

² See 20th Review, paragraph 56.

letter analysing the regional problems of the enlarged Community. At that stage the report did not contain the formal proposals requested by the Paris conference, but indicated the guidelines which were to serve as a framework for these proposals. The report was the subject of a general discussion by the Council at its 241st meeting on 14/15 May 1973.

91. The formal proposals requested by the Paris conference were submitted to the Council by letter on 31 July 1973. This contained a draft Council Decision setting up a regional policy committee, a proposed Council Regulation setting up a European regional development fund and a proposed financial Regulation containing specific provisions applicable to the European Regional Development Fund.

92. Among the previous proposals concerning regional policy the Commission retained that concerning the utilization over three years of 50 million u.a. per annum by the Guidance Section of the EAGGF for the creation of industrial employment in priority agricultural regions.

93. On 21 October 1973 the Commission submitted a memorandum to the Council containing a proposed Regulation on the list of priority agricultural regions and zones given in the EEC Regulation on the financing by the Guidance Section of the European Agricultural Guidance and Guarantee Fund of projects which were included in programmes for the development of priority agricultural regions, and a proposed Regulation on the list of regions and zones laid down in the EEC Regulation which were eligible for aid from the European Regional Development Fund.

These two proposed Regulations completed the texts which the Commission submitted to the Council to fulfil the brief given by the Paris conference concerning regional policy.

94. The thorough discussions which had taken place within the Council departments had given rise to a considerable number of problems which required a solution. Some of these were in the technical sphere, but others were specifically political. It was these latter problems which governed the rate of progress.

One of the main questions was the amount which should be granted to the European Regional Development Fund. The Commission based its thinking on the idea that this sum — which should

be used to correct imbalances — should be sufficient to make an effective contribution to the attainment of the priorities laid down by the Paris conference and in particular to put the Member States in a position to accept all the constraints and discipline inherent in the attainment of economic and monetary union.

95. The second basic question concerned the distribution of Community aid. The Commission drew up two lists of regions to benefit from the funds, one for the Regional Development Fund and one for the EAGGF.

As regards the Regional Fund, the Commission was faced with the instruction which it had been given by the Paris Conference, namely to correct the main regional imbalances, and particularly those resulting from a preponderance of agriculture, declining industries and a persistently high rate of unemployment.

96. The list of regions which receive aid from the EAGGF differs from the previous list. The new list takes account of the situation arising from the accession of the three new member countries, the wish expressed by certain countries to apply the chosen criteria to the whole of their territory and the availability of new statistical data.

97. Furthermore it should be recalled that at the Copenhagen Conference held on 14/15 December 1973 the Heads of State or Government had confirmed the decision made at the Paris Conference to implement a regional policy at Community level, in particular by setting up the Regional Development Fund by 1 January 1974.

98. The Council's meetings of 15 October, 6 November, 3/4 December and 17/18 December 1973 were mainly concerned with these two political questions, the amount and distribution of the Regional Fund.

Since the Council was unable to reach a unanimous consensus on these two questions it agreed to resume its discussions in January 1974.

C — Social matters

1. SOCIAL POLICY IN GENERAL

- (a) *Social Action Programme to be set up pursuant to item 6 of the Final Declaration of the Conference of Heads of State or Government on 19 and 20 October 1972*

99. The Council devoted three meetings to preparing this Action Programme. At its meeting of 26 February 1973 after a prolonged exchange of views the Council instructed the Commission to draw up the draft Action Programme and to submit it to the Council as soon as possible. On 21 May 1973 the Council held a wide-ranging exchange of views on the main points in the Commission's memorandum on the 'Guidelines for a Social Action Programme'. The delegations emphasized that it would be useful to discuss this document with the social partners during the tri-partite conference which the Council agreed to call for the end of June 1973.

100. The Council consulted the European Parliament and the Economic and Social Committee on the draft programme submitted by the Commission and at its meeting on 11 and 12 December 1973, after thorough discussion of the problems raised by the draft Resolution concerning a social action programme, gave its assent, amongst other matters, to the following three main points of the Resolution.

The Council expressed its political wish to adopt the measures necessary to attain various objectives, as an initial stage covering the period 1974-1976. These objectives were the attainment of full and better employment in the Community, the improvement of living and working conditions in step with general progress, and increased involvement of management and labour in the economic and social decisions of the Community and of workers in the affairs of enterprises.

101. It decided upon the following priority actions.

As regards the achievement of full and better employment in the Community:

- (1) To find appropriate means of coordinating employment policies in the Member States and promoting better cooperation among the government employment organizations.

- (2) To set up an action programme for migrant workers from both Member States and non-Member States.
- (3) To implement a joint vocational training policy and set up a European vocational training centre.
- (4) To take action to achieve equality between men and women as regards employment opportunity, vocational training and promotion, and also as regards working conditions, including pay.

As regards the improvement of living and working conditions in step with general progress:

- (5) To establish an appropriate form of coordination between the Member States' social welfare policies.
- (6) To establish an initial action programme on industrial hygiene, industrial safety, workers' health, the re-organization of work, beginning with those sectors where working conditions appear the most arduous.
- (7) To take a number of specific measures in cooperation with the Member States to eliminate poverty by preparing pilot projects.

In connection with the increased involvement of management and labour in the economic and social decisions of the Community and of workers in the affairs of companies:

- (8) To promote systematically the involvement of workers or their representatives in the affairs of companies in the Community.
- (9) To promote the involvement of management and labour in the economic and social decisions of the Community.

102. The Council adopted a precise time-table for implementing the social programme and undertook to act at the latest five months after the Commission had informed the Council of the outcome of its deliberations on the opinions given by the European Parliament and the Economic and Social Committee, if such consultations had taken place, or, if such consultations had not taken place, at the latest nine months from the date of the submission of the proposals to the Council by the Commission.

(b) *Calling of a Conference on the social action programme*

103. At its meeting of 26 February 1973 the Council decided to call a conference for the end of June 1973 to be attended by representatives from management and labour organizations and also representatives from the Council, Governments of Member States and the Commission, in order to review the draft programme mentioned above. However, because of a disagreement on the part of the European Federation of Trade Unions regarding the composition of the conference, the conference could not be called for the planned date, in spite of the Council's efforts to find a solution satisfactory to all the parties who had been invited to participate in the conference. The Council then invited the management and labour organizations which were to take part in the conference to communicate their opinions on the programme submitted by the Commission.

(c) *Consequences of the energy crisis and inflation*

104. At its meeting on 11 and 12 December 1973, the Council took note of the Commission's undertaking to submit to it as soon as possible a report on the effects of the energy crisis on the employment situation and a study of the effects of inflation on wages and salaries.

(d) *Standing Committee on Employment*

105. Following a certain number of requests submitted in September and October 1973 for a meeting of the Standing Committee on Employment before the end of the year, the president invited the parties who were represented on the Committee to hold a meeting and suggested an *ad hoc* composition for this meeting.

The president, with the support of all the delegations, considered that an *ad hoc* solution which would not prejudice the final composition of the Standing Committee could be adopted so as to enable the Committee to meet again before the end of the year.

However, this *ad hoc* solution was not acceptable to one trade union organization which is a member of the Committee and so it was not possible to arrange a meeting.

2. VOCATIONAL TRAINING

106. At its meeting of 26 and 27 March 1973 the Council gave its assent for a certain number of steps to be taken during 1973 which

would constitute preliminary measures for the implementation of a common vocational training policy.

These measures concerned the following fields: exchange of information and experience on national vocational training policies and reforms of the systems, as well as the administration, cost and financing of vocational training; the distribution of a newsletter on vocational training; cooperation in research work on trends in the professions and trades and vocational training; approximation of training standards; exchange of information and experience on training needs, structures and methods; promotion of instructor training; exchange of information and experience and Community cooperation on teaching methods and aids; publication of 'educational documentation'; cooperation on vocational training of the disabled and migrant workers, and promotion of training in agriculture and road transport.

3. SOCIAL SECURITY FOR MIGRANT WORKERS

107. On 26 March 1973 the Council adopted Regulation (EEC) No 878/73 amending Regulation (EEC) No 574/72 fixing the procedure for implementing Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons and their families moving within the Community.

Following technical amendments to Regulation (EEC) No 1408/71 made necessary by the enlargement of the Community, this Regulation makes provision for amendments to the Regulation implementing Regulation (EEC) No 1408/71.

4. AIDS FOR THE CONVERSION OF INDUSTRY WITHIN THE ECSC

108. The Commission requested the Council to give its assent in several cases so that the Commission could facilitate the productive re-employment of the manpower made available where coal and iron and steel enterprises had permanently discontinued, curtailed or changed their activities. The Council replied favourably to the Commission's requests and at its meetings in February and December 1973 gave its assent pursuant to Article 56, paragraph 2, of the ECSC Treaty, thus allowing the Commission to grant in the form of loans a maximum of 7.5 million FF (approximately 1.35 million u.a.) to the

enterprise Établissements Allibert (France) S.S. in Monastier-de-Clermont, Grenoble, to help set up a plastics processing shop, and a shop for the manufacture of shoes and travel goods at Saint-Honoré (Isère); 8 million FF (approximately 1.44 million u.a.) to the enterprise Société de Panneaux de Particules du Morvan in Neuilly, to help set up a unit for the manufacture of panels formed from wood chips in La Machine, commune of Champvert (Nièvre); 10 million DM (approximately 2.74 million u.a.) to the enterprise Flachglas AG Delog-Detag in Furth (Bavaria) to assist in setting up a float glass plant at Gladbeck-Rentford (North Rhein Westphalia); 5 million FF (approximately 0.9 million u.a.) to the enterprise Société Tubes de la Providence in Lexy, Meurthe-et-Moselle, to assist in extending the factory at Lexy to increase production of hollow sections.

5. SURVEYS AND STATISTICS

109. At its meeting of 22 November 1973 the Council adopted a Directive on the synchronization of general population censuses in the Member States.

The Council considered that it needed to be in possession of sufficiently reliable, detailed and comparable data on population, working population, employment, households and families. These data can well be taken from the general population censuses which are taken in the Member States. However, these general censuses are not conducted at the same time and therefore do not provide comparative data. The Council has overcome this difficulty by adopting this Directive, which lays down that all Member States shall conduct a general population census between 1 March and 31 May 1981.

110. On 22 November 1973 the Council adopted a Regulation on the organization of a survey on labour costs in wholesale and retail distribution, banking and insurance. This survey — which constitutes a repetition of a survey made in 1971 — makes it possible to ascertain the level, composition and development (over the period 1971 - 1974) of labour costs and workers' income in the important sector of wholesale and retail distribution, banking and insurance. This survey will be conducted in 1975, on the basis of accounting data relating to 1974.

6. COORDINATION OF THE ATTITUDES OF MEMBER STATES' GOVERNMENTS TO THE PROCEEDINGS OF THE ILO CONFERENCE

111. As in past years the attitudes of the governmental delegations from the six Member States were coordinated at the International Labour Conference held in Geneva on 6-27 June 1973. Their coordinated attitude and the cohesion of their positions enabled the delegates from the new Member States to exert a strong influence on a large number of conclusions adopted by the Committees which had the task of examining the texts submitted to the conference. Attitudes were coordinated on the following four items on the conference agenda: social repercussions of new handling methods (docks), minimum age for employment, the fight against occupational cancer and paid educational leave. The delegations also coordinated their attitudes towards the main problems connected with the functioning of the ILO (i.e. its structure and budget). They also agreed to coordinate their attitudes in future on proceedings on the agenda for the Committee for the Application of Agreements and Recommendations, which meets as part of the International Labour Conference.

D — Education and youth

1. COOPERATION IN THE FIELD OF EDUCATION

112. The final report of the Working Party of senior officials responsible for education⁽¹⁾ was prepared in April 1973 and covers the following subjects: objectives and bases of cooperation, geographical framework for this cooperation, institutional organization of cooperation, purposes of cooperation and means of action and form of the instrument to be adopted.

This document was examined by the Committee of Permanent Representatives, who requested a summary to be made for the Council. This summary shows that there are several concepts to be considered.

The first concept is of a broadly-based approach and a separate organization for a new system of cooperation which would still

¹ See 20th Review, paragraph 446.

maintain links with the Community institutions (this concept should be put into practice under a separate agreement or treaty from the European Community treaties).

The second concept is of a widening in the scope of the treaties (a new intermediary body would be set up whose relationship with the Council and the Commission of the European Communities has still to be defined, by adopting a protocol widening the responsibilities of the Community institutions), or alternatively to make provision for cooperation by broadening the scope of the treaties and the objectives which they lay down (e.g. in the field of freedom of movement) — which would make it possible to adopt a Decision under Article 235 of the EEC Treaty.

However, the Council was unable to attend to this document in 1973 because of its very full time-table.

2. THE CREATION OF A EUROPEAN UNIVERSITY INSTITUTE

113. The Preparatory Committee for the Institute made progress in its material preparations for setting up the Institute so that the texts of certain important regulations (accession of new Member States, agreement on location, regulations for teaching and administrative staff, and financial provisions) will be ready for adoption by the Higher Council of the Institute when the Institute is founded. This will be in the course of 1974, since certain delays in the national ratification procedures prevented the convention from entering into force in 1973.

On 6 November 1973 at a meeting of the Council the Government Representatives of the Member States nominated Mr Max Kohnstamm as President of the Institute and Mr Marcello Buzzonetti as Secretary-General. These two gentlemen have taken part in the proceedings of the preparatory Committee since that date.

3. ASSOCIATION OF YOUNG PEOPLE WITH THE BUILDING OF EUROPE

114. Following the enlargement of the Communities, on 29 May 1973 the Commission submitted to the Council a new memorandum on the association of young people with the building of Europe.

CHAPTER III

Agriculture

A — General problems concerning the Common Agricultural Policy

1. 1973/1974 AGRICULTURAL PRICES

115. At the end of a marathon sitting at the end of April 1973 the Council, as the body which manages the common organizations of the market,¹ fixed most of the prices for the main agricultural products. These decisions were made on the basis of Commission proposals after due note had been taken of the opinions of the European Parliament and the Social and Economic Committee.

116. Various increases on the prices for the preceding marketing year (1972/1973) were fixed, the average increase for vegetable products being 1⁰/₁₀₀ except for certain products such as rye (+ 6¹/₂ ⁰/₁₀₀), olive oil (+10 ⁰/₁₀₀), RII wines (+3 ⁰/₁₀₀) fruit and vegetables (+7¹/₂ ⁰/₁₀₀) for pears (+5 ⁰/₁₀₀). For animal products the increases were +5¹/₂ ⁰/₁₀₀ for milk, +10¹/₂ ⁰/₁₀₀ for adult bovine animals, +7¹/₂ ⁰/₁₀₀ for veal and +4 ⁰/₁₀₀ for pig meat.

117. At the same time the Council laid down that in addition the common prices for cereal products, sugar, oil seeds and pig meat would be increased by 1⁰/₁₀₀ as from the month after any date on which the various Member States maintained at any given moment a maximum spread of 2.25 ⁰/₁₀₀ between their currencies, this increase would have no repercussions on the prices as expressed in the national currency in the Member States, the value of which is

¹ See also B below.

expressed in terms of the parities used for the Common Agricultural Policy.

118. Price levels for the United Kingdom were fixed in accordance with Article 52 paragraph 3 of the Treaty, taking account of a 10% reduction in price movements which was to be applied to all products except beef.

2. MEMORANDUM OF THE AMENDING OF THE COMMON AGRICULTURAL POLICY

119. The Commission submitted this memorandum to the Council on 8 November 1973. While the document stresses the progress made so far in establishing the common agricultural policy it puts forward a certain number of ideas for making improvements which appear expedient in the light of experience.

Several exchanges of views were held on this subject in the latter meetings of the Council. The main points of the discussions concerning the organization of the markets in certain products are summarized below, and the questions relating to structural policy are discussed later.

(a) *Proteins*

120. Following the events of spring 1973 in the proteins sector, and particularly concerning soya beans, the Commission, at the Council's invitation, submitted within the scope of the memorandum a report on the Community's protein supplies.¹ This report and the Commission's conclusions on the situation and the market prospects were studied in depth by the Council departments.

It was noted that trends in protein requirements in the Community and the rest of the world indicated that the Community should try to avoid a deterioration in its supply situation over the next few years, particularly as regards its dependence on imports.

Among the measures envisaged the following should be mentioned: the establishment of a better relation between the

¹ See also section B, paragraph 174 of this Review.

prices for colza and sunflowers, encouragement of soya production, encouragement of dehydration of feedgrain seeds, reduction in prices of selected seeds of vegetable feedingstuffs, the establishment of a research programme, the acceptance by all Member States of the use of urea for feeding animals, under the best conditions and the examination of any other techniques for developing protein production, particularly fermentation proteins.

121. The projects undertaken by the Council have shown that these suggestions from the Commission were not exhaustive and that other sources and methods of producing protein should be considered in the Community, such as meat meal, flax grown for oil seeds, improvements in production, preservation and processing of green fodder, lysine, improvements in the quality of feed grain cereals, the use of waste water from starch works, the potato, etc.

The Council's work so far has revealed the necessity for defining priorities for a specific research programme aimed at developing new varieties of seeds, industrial means of manufacturing green fodder juices and the preservation of hay. It has also shown that there should be a simultaneous programme to produce and popularize information on all these measures. In addition the idea was born of examining the possibility of differentiating between the Community's different sources of protein by studying the potential production of the AASM and the other developing countries mentioned in Protocol 22 to the Act of Accession.

Work on this matter was continued in the Council departments.

(b) *Cereals*

122. The distinguishing features of this sector over the last few years have been the general increase in world cereal prices and the accompanying large-scale reduction in existing stocks. This considerable turnround in the world situation cannot fail to have its effect on the Community organization of the cereals market, which was set up in 1967 under somewhat different economic conditions.

In view of these circumstances and of experience in operating the common cereals system certain improvements would have to be made to this system, in the Commission's opinion, so as to attain a triple objective, i.e. to attain a better balance between the different cereals in relation to the real needs of the market, to reduce the burden on the Guarantee Section of the EAGGF by some 580 million

units of account at the end of 1973-1978 improvement period, and to simplify the mechanism of the common organization of markets as far as possible.

123. A whole series of measures is envisaged to attain these objectives.

The main points are as follows. The Commission recommends that a more realistic price structure should be introduced by stages for the different cereals, based on the relative increase in barley and maize prices, and taking account of their nutritive values. It is planned to abolish the denaturing premium in stages. It is also proposed to amend the interventions system by introducing a single intervention price for barley and common wheat which would replace the regionalized prices operating at present. Some improvement in the system of export refunds is also desirable. Lastly the Commission drew the Council's attention to the advisability of implementing a complete and coherent storage policy based on common wheat with the main aim of guaranteeing security of supplies for the Community in cereals and its ability to meet its commitments on food aid.

(c) *Sugar*

124. Another important section of the memorandum contains the Commission's proposals on the Community's future sugar policy, sugar imports from the developing countries specified in Protocol No 22 to the Act of Accession and on the Community's position at the second session of the United Nations Sugar Conference.

Since the trend in the world sugar supply situation has been from one of surplus to one of shortage, accompanied by a very steep increase in prices, the Commission's thinking as set out in the sugar memorandum were regarded as a working hypothesis which would have to be adjusted to this trend.

The Council departments therefore made an examination in depth of all the factors relating to production, consumption, trade and market prospects on both Community and world level in the sugar sector. They also studied the technical arrangements and price mechanisms proposed by the Commission and explored alternative solutions which technically were open to them, namely a quota system as proposed by the Commission, a system without quotas and a system which would be a compromise between the two.

This study took account of the fact that the Community should, as far as it was able, help to meet world requirements in sugar and the necessity for building up world stocks was not forgotten.¹

(d) *Oil seeds*

125. In view of the difficulties which had arisen in this sector since the entry into force of Regulation No 136/66/EEC, trends in production and processing and in the economic situation regarding the grinding industry, the Council's study of the memorandum included an examination of the improvements which should be made to the common organization of the market in oil seeds.

Here the main problem was to revise the regionalization of prices which would enable the additional aid for colza seeds processed in Italy to be abolished. This revision would have to embody appropriate measures to improve movement of seeds within the Community and to remove the possibility of oil mills situated in the northern regions of the Community placing oil made from Community or imported seeds on the Italian market at a lower price than that produced in Italy from Community seeds, and to maintain equilibrium in Italy between seed oil and olive oil.

This is reflected in the joint declaration adopted by the Council and Commission in June 1972, in which the two Institutions agreed that 'the requisite measures would be adopted to ensure the movement of oil seeds throughout the whole Community territory on a non-discriminatory basis and with account being taken of the particular characteristics of oil seeds'.

(e) *Olive oil*

126. The work carried out by the Council on the basis of the memorandum demonstrated that in the light of experience the system operating by virtue of Regulation No 136/66/EEC was ill-adapted to the structure of this sector.

Two factors were taken into consideration, i.e. the difficulties which had been encountered in supervising the aid granted for

¹ The points concerning the International Sugar Agreement are set out in chapter VI paragraph 337 of this Review.

olive oil, mainly because of the very high number of agricultural holdings concerned (over 1 million) and also the question of adapting the import system to trends on the world market in olive oil, particularly following the measures taken by Spain, which is the largest exporting country.

While the existing system was not completely revised, studies were initiated on improvements which could be made to the aid system, tighter controls, measures for stabilizing the market by having a regulating stock,¹ and the imports system. The Council's work has also continued in this sector.

(f) *Wine*

127. Experience acquired since the entry into force of Regulation (EEC) No 816/70, price trends on the markets of the main producer countries, a very large harvest, particularly in France, and the necessity for laying down effective measures to stabilize the market, led the Commission to propose, following various debates in the course of several Council meetings, that the present system of interventions should be improved by permitting the authorization of so-called preventive distillation during the first months of the wine-making year and that the basic Regulation on the common organization of the market in wine should be recast.

(g) *Beef and veal*

128. This is a very important sector for the Community because of the large amount of meat consumed *per capita* and also because of the proportion of household expenditure on meat in the Community in terms of the total amount allowed for food.

Furthermore, in a more general context, meat is one of the most important items among the Community's commercial supplies.

The Community shortfall in this sector is quite considerable and is put at 1 600 000 tonnes for the 1972/1973 marketing year, of which half is a shortfall in beef and veal.

Furthermore, since the average rate of increase in production (3.2% over the last ten years) remains noticeably close to the rise

¹ See also paragraph 183 of this Review.

in consumption rate (3.3 %), there is a danger that the Community's external shortfall may remain constant for some years to come, in line with the size of the meat sector under the agricultural policy, because of the objectives of the Community countries which are aimed at stabilizing their balance of payments.

129. With this in view, i.e. a better balance in the Community between the production of red meat and milk production, the Commission recommended a number of measures in its memorandum which could usefully be incorporated into the system of premiums for conversion of dairy herds to meat production, and premiums for the specialized rearing of cattle for meat production¹ and the directive on hill farming and certain less-favoured regions.

The Commission considers that one of the most immediate measures to influence production trends should be sought in the prices policy which over the period 1973-1978 should encourage more supplies of red meat in the Community.

In the short term the Commission intends to propose to the Council that the imports system provided for by the common organization in the beef and veal sector should be improved. The Council has encountered certain difficulties in managing the markets following the elimination of three of the four representative non-Community markets on which a model price in this sector was based, due to the accession of Denmark, Ireland and the United Kingdom to the Community.

130. For this reason the Commission suggests that the present mixed system involving customs duty and a levy depending on presentation should be replaced by a single import duty which would apply to all presentations and would be fixed *ad valorem* in accordance with certain conditions.

Furthermore the Commission considers that the guide price for calves, which over the years has ceased to have any real meaning, together with the market prices in operation for this type of animal could be abolished. This would simplify their individual import system to some extent.

Lastly, the Commission recommends that measures to encourage meat production should be stepped up.

¹ See paragraph 238 of this Review.

(h) *Mutton*

131. The system recommends that a common organization of the markets should be established during the period 1973-1978.

3. AGRICULTURAL STRUCTURES

(a) *Mountain and hill farming and farming in certain less-favoured areas*

132. The Council's actions in this sector throughout 1973 have centred on the study of the proposed Directive on mountain and hill farming and farming in certain less-favoured areas, submitted by the Commission on 27 February 1973. This study gave rise to long and difficult debates within the Working Party concerned, the Special Committee on Agriculture and the Council itself. The study was completed at the 262nd sitting of the Council on 19/20 November 1973 when a definitive text was agreed, although this will not enter into force until the Council has drawn up a list of less-favoured farming areas and the provisions governing the financing of certain measures, and it is very likely that this will only be done in the first half of 1974.

133. The directive on mountain and hill farming was engendered by two requirements. The first, which was emphasised by the United Kingdom during the accession negotiations, without any precise answers being formulated, was to take steps to make the Common Agricultural Policy take account of the special problems of farming in certain regions (hill farming).¹ The second requirement, which in fact constituted an initial response to this quite general request, lay in the necessity of adapting the common policy on structures to the particular case of the less-favoured regions, in the form in which it had just been defined in the three 1972 Directives on agricultural reform.²

134. On this basis the Commission, and subsequently the Council, tried first of all to establish an objective which would be common to both and thus underlie and direct Community action in this field. This

¹ Declarations appended to the Act of Accession on hill farming.

² Directives Nos 72/159/EEC, 72/160/EEC and 72/161/EEC of 17 April 1972, OJ No L 96 of 23.4.1972.

basic objective which is given in Article 1 of the Directive is to ensure that farming will continue and that there will be a basic minimum population in regions which are particularly at risk because of the drift from the countryside and where farming is necessary to safeguard the natural environment.

Once the aim had been laid down in this way means of achieving it had to be defined; these were naturally obtained from a study of the reasons for the precarious demographic and economic situation of the regions in question.

135. Thus on the premise that the drift from the land is basically due to inadequate incomes which in turn are the result of natural handicaps and structural deficiencies, the specific system of aid laid down in Article 4 of the Directive provides for a certain number of measures to redress this situation. Contrary to the Commission's initial proposals, Member States may select from these measures those which are the most appropriate to their own situation. The measures are listed below according to objective.

The first and most original measure, if not the most important, is designed to compensate for natural and permanent handicaps by granting a direct aid to income known as a 'compensation grant'. This aid is calculated per l.u. (live stock unit), including dairy cows under certain conditions, or per hectare in mountain areas.¹

The second measure encourages general structural improvements by easing the conditions of the modernization scheme laid down by Directive 72/159/EEC, notably by granting higher investment aids and by permitting the compensation grant payment to be included when calculating the labour income to be attained upon completion of the development plan.²

The third is intended to help confirm what use is to be made of most of the areas concerned, i.e. large-scale rearing. In this connection it is laid down that the guidance premium provided for in Article 10 of Directive 72/159/EEC³ should be increased by one third, and that aids should be granted to joint investment schemes in respect of fodder production and to land improvement and joint

¹ See also section B of this chapter.

² See Article 9.

³ See Article 9, paragraph 2.

capital equipment schemes in respect of pasture land and mountain grazing.¹

The fourth measure is designed to allow incomes to be derived from more than one source and lays down that a higher percentage of income from non-agricultural activities may be taken into account when calculating the income to be attained upon completion of the development plan.² It also provides that in areas which are suitable for the development of a tourist or craft industry limited investments for such purposes may be included as investments to be encouraged under the development plan.³

Lastly, the fifth measure leaves it to the Member States to grant government aids within certain limits and under certain conditions to investments in holdings which are not in a position to submit a development plan.

136. Once this specific system of aids had been defined, the criteria for deciding which regions of the Community should be eligible to benefit had to be decided. This would seem an easy task, since the identification of these regions should follow logically from the general objective of the Directive, i.e. to maintain a minimum of agricultural activity in areas where this is necessary to maintain a certain population level and to preserve the natural environment. In fact, since the formula is somewhat vague and capable of different interpretations, there were long debates on the criteria between those who wanted the scope of the measures to be as wide as possible and those who would prefer to impose certain restrictions. The debate ended in a compromise which is reflected in the provisions of Article 3 of the Directive. These distinguish between three types of region, namely, mountain areas, poorer farming areas threatened with depopulation, and assimilated areas, each having individual physical, demographic or economic criteria of differing relative importance in each case.

Finally it should be noted that the criteria which were finally adopted are exclusively qualitative, which leaves a good deal to the discretion of the Member States, although under Article 2 the definitive list of areas is to be drawn up by the Council on a proposal from the Commission. This means that the effective scope of the Directive

¹ See Article 11.

² See Article 10, paragraph 1.

³ See Article 10, paragraph 2.

on agriculture in less favoured areas, which it should be stressed is of a comparatively innovatory nature compared with the agricultural policy followed by the Community hitherto, depends in large measure on how widely the Member States consider that the measures should be applied. The Council was therefore quite right in deciding, for reasons concerning the financing of these measures, that the document would only enter into force after the list of the areas concerned had been drawn up.

(b) Implementation of the Directives of 17 April 1972 on agricultural reform

137. It will be recalled that the Member States were required to implement the measures contained in these Directives within one year from the date of their notification, i.e. by 20 April 1973.

Since this time period could not be observed because of certain difficulties which Member States encountered in incorporating into their own legislation the relatively complex body of measures laid down by these Directives, the Council, at its meeting on 23/24 July 1973, extended this time period to 31 December 1973.¹

Furthermore, in view of the problems which the application of these Directives raise for certain Member States, the Council, at its meeting of 22/23 October 1973, expressed its approval for the Commission to submit a proposal allowing Denmark to postpone for 3 years the date when Directive No 72/160/EEC (cessation of farming) should enter into force.

138. Finally, again as part of the procedure to implement Decisions taken in 1972 on structural reform, at its meeting of 10/11 December 1973 the Council adopted the Directive on the general provisions for the regional differentiation of certain measures provided for in the Directives of 17 April 1972 on the reform of agriculture.² The aim of this text is two-fold. Firstly to define the criteria for regions where the Member States will be authorized not to apply wholly or partially the measures laid down by the three Directives mentioned above. It lays down basically that these will be regions in which a major part of the agriculture has already attained comparable income. Secondly to lay down criteria according to which the Member States should vary the financial incentives provided for in Directives

¹ Directive No 73/210/EEC, OJ No L 207 of 28.7.1973.

² Directive No 73/440/EEC, OJ No L 356 of 21.12.1973.

Nos 72/159/EEC and 72/160/EEC (modernization and cessation of farming) according to region and also vary, where necessary, the measures provided for in Directive No 72/161/EEC (socio-economic guidance and the acquisition of professional skills).

(c) *Current and future activities*

139. In connection with the general problems arising from the implementation of a structural policy on 7 August 1973 the Commission submitted to the Council a proposed Directive on the organization of an intermediate survey as part of a survey programme on the structure of agricultural holdings. This survey, which will cover the period between 1 May 1975 and 31 March 1976, is a follow-up to the basic survey laid down in Regulation No 70/66/EEC and the Council Directive of 28 October 1969 on the organization of the general census of agriculture recommended by the FAO. Its main aim is to provide the basic data which are indispensable for an investigation into the structure of agricultural holdings, the findings of which will be of assistance to Community bodies in making the decisions which they have to take on structural policy.

The Council Working Party concerned began its examination of this proposal during December 1973.

140. Furthermore it will be recalled that the Commission, in its Memorandum on the improvement of the Common Agricultural Policy, mentioned above, indicates the additions which in its opinion should be made to the existing provisions on agricultural structures policy. In this connection it is laid down that in the course of 1974 a proposed Directive shall be submitted to the Council on the encouragement of forestry and on joint action in the field of marketing and processing agricultural products which will complete the proposed Regulation on groupings of producers and their federations¹ which has already been submitted to the Council.

4. REPERCUSSIONS OF THE MONETARY SITUATION ON THE WORKING OF THE COMMON AGRICULTURAL POLICY

141. The working of the Common Agricultural policy during the period covered by the present Review was badly affected by the

¹ OJ No C 36 of 12.4.1972.

chronic instability of the monetary situation. The events of this period may be said to have produced two results. Following changes in the central rates of certain Member States' currencies, agricultural prices as expressed in national currency were no longer at the common price levels as expressed in units of account. The different agricultural price levels as expressed in national currency in the various Member States made it necessary to continue the system of compensatory amounts introduced by Regulation (EEC) No 974/71.

142. The actual changes in exchange rates of certain Member States' currencies during 1973 did not entail a corresponding change in the conversion rates of these currencies into units of account in the agricultural sector, since such an alteration is only provided for in Community legislation where a change in parity is declared to the International Monetary Fund. Thus agricultural price levels as expressed in national currency — particularly intervention and buying-in prices — remained, after the various changes in exchange rates in 1973, at the same levels as before and are no longer at common agricultural price levels as expressed in units of account. The problem then rose of how to 'recover' the common prices.

143. The Council was confronted with this problem when the central rates of the German Mark and the Dutch guilder rose and also following the decision of the Italian government to allow the Italian lira to float.

It clearly appears that the effects of 'recovery' where a currency has been revalued are different from those following devaluation. In the former case recovery means a basic reduction in the farmer's income with the subsidiary result of a deflationary effect on price levels whereas the latter case produces the opposite effect.

144. The fact that no recovery measures were taken on the two occasions when the central rates of the German mark rose in 1973 is explained by the economic situation in German agriculture which is still feeling the results of the 1969 German mark revaluation. The Council subsequently decided on 22 January 1974 to authorize Germany to continue certain aids to its farmers. When the central rate of the Dutch guilder was revalued on 15 September 1973 the need to control inflation was accepted. At the request of the Dutch government the Council, on the basis of Article 3 of Regulation No 129¹ decided to apply a reference rate in the agricultural sector for

¹ OJ No 106 of 30.10.1962, Regulation (EEC) No 2543/73, OJ No L 263 of 19.9.1973.

converting the guilder into units of account which resulted in a reduction of the intervention and buying-in prices by a percentage equal to the percentage revaluation of the central rate for the guilder.¹ In order to compensate the Dutch farmers for their income losses it also authorized the Netherlands to grant certain direct aids for a set period.²

145. To enable prices in Italy to be recovered on 10 May 1973³ the Council decided on an increase of 1% and on 31 October 1973⁴ on a complementary increase of 3.5%, to be implemented in two stages. Intervention and buying-in prices will be raised again at the beginning of 1974, which will enable Italy to restore prices almost to common agricultural price levels.

146. The situation described above made it necessary to continue the system of compensatory amounts for trade in agricultural products introduced by Regulation (EEC) No 974/71.

Although it appears incontrovertible that this system presents difficulties in the trade and for the bodies which administer it, the fact still remains that distortions concerning competition have been avoided in trade flows of agricultural products within the Community and to non-Community countries.

It should also be stressed that the system introduced by Regulation (EEC) No 974/71 has received a certain number of amendments aimed at simplifying an inherently complex mechanism. This is why for instance it was possible for the compensatory amounts in respect of trade between those Member States whose currencies remained within the Community 'snake' to be stabilized at a level corresponding to the difference between the official parity and the central rate agreed in December 1972.⁵ Furthermore, financing of the compensatory amounts was brought within the Community system by treating the amounts received in the same way as market interventions and by treating the amounts granted in the same way as export refunds.⁶

¹ Regulation (EEC) No 2544/73, OJ No L 263 of 19.9.1973.

² Regulation (EEC) No 3141/73, OJ No L 321 of 22.11.1973.

³ Regulation (EEC) No 1225/73, OJ No L 125 of 11.5.1973.

⁴ Regulation (EEC) No 2958/73, OJ No L 303 of 1.11.1973.

⁵ Regulation (EEC) No 1112/73, OJ No L 114 of 30.4.1973.

⁶ Regulation (EEC) No 2746/72, OJ No L 291 of 28.12.1972.

5. COMMON ORGANIZATION OF GROWING MARKETS

Ethyl alcohol of agricultural origin

147. Various Council departments have continued their examination of the proposed Regulation submitted by the Commission in April 1972.¹

It has not been possible to complete this work since the Parliament has so far not been able to deliver its opinion on this proposal, and also since it may prove necessary to make certain adjustments to the mechanisms laid down in the Commission's initial proposal in view of the situation created by the enlargement of the Community and the changed world alcohol market conditions over the last few months.

B — Basic adjustment and amendment of the Regulations governing the common market organizations

1. UNDER THE ACCESSION TREATY

(a) Problems affecting more than one sector

148. Under Article 54 of the Act of Accession the United Kingdom is authorized to retain production subsidies for such time as there is a difference between prices obtained under the national system of guaranteed prices and market prices resulting from the application of the mechanisms of the Common Agricultural Policy. These subsidies must not have the effect of raising the returns of producers above the level which would have resulted from the application to these returns of the rules for the alignment of prices. Having regard to these provisions, and the particular situation in certain sectors, on 19 March 1973 the Council adopted Regulation (EEC) No 749/73 on production subsidies which the United Kingdom is authorized to retain in respect of certain agricultural products. In particular this Regulation laid down the products to which the above-mentioned Article 54 applies, and also the limits within which the British Government is authorized to establish guaranteed prices while making efforts to abolish the subsidies in question as soon as possible over

¹ See 20th Review, paragraphs 105 to 108.

the transitional period. The main products concerned are wheat, barley, oats and sugar, pig carcasses, beef and veal, sugar beet, milk and eggs. The conditions for discontinuing the system of guaranteed prices are specific to each product, but the Regulation in question lays down that it may not be applied after 30 June 1974 in the case of sugar beet or after 31 March 1974 in the case of eggs.¹

149. Furthermore, in Regulation (EEC) No 3537/73 of 18.12.1973 the Council laid down the conditions under which use may be made of inward processing arrangements in trade in agricultural products between Member States of the Community as originally constituted and the new Member States and between the new Member States themselves.²

150. On 12 March 1973 the Council adopted a Regulation concerning the Community arrangements applicable to the Channel Islands and the Isle of Man for trade in agricultural products.³ By this decision, the Council, in taking account of the particular constitutions of the Channel Islands and the Isle of Man, laid down the conditions under which a number of provisions are applicable to these islands following the enlargement of the Community, in order to allow free movement and observance of normal conditions of competition in trade.

151. Under the Accession Treaty the new Member States may be authorized to take over existing national subdivisions within the Common Customs Tariff nomenclature in order to carry out progressive moves towards alignment with the Common Customs Tariff or the elimination of duties in the Community to the extent that no difficulties arise in the application of the Community rules. In accordance with this provision the Council enacted Regulations (EEC) Nos 177/73 and 227/73 authorizing the new Member States to take over these subdivisions for those agricultural products subject to customs duty on importation from non-Community countries and for the products affected by paragraph 1 of Article 61 of the Act of Accession. For products in the beef and veal sector this authorization was granted for the period up to 31 December 1973.⁴

¹ OJ No L 72 of 20.3.1973.

² OJ No L 361 of 29.12.1973.

³ OJ No L 68 of 15.3.1973.

⁴ OJ Nos L 25 of 30.1.1973 and L 27 of 1.2.1973.

(b) *Fresh Fruit and Vegetables*

System of compensatory amounts

152. At its meeting on 18/20 December 1972 the Council approved the general rules for the system of compensatory amounts for fruit and vegetables,¹ and at its sitting on 31 January 1973 adopted the Regulation in question² applicable to trade in apples and pears between the United Kingdom, Ireland and Denmark on the one hand and the Community as originally constituted and non-Community countries on the other hand.

At its meeting on 19 February 1973 the Council made certain technical amendments to the Regulation mentioned above³ on the compensatory amounts for products presented with no indication as to the name of the variety. Lastly, at its meeting on 21 May 1973 it adopted a Regulation⁴ extending the system of compensatory payments for fruit and vegetables to cover cauliflowers and tomatoes, since the conditions laid down by the Act of Accession for applying these amounts⁵ were in fact being met for cauliflowers in Denmark and tomatoes in Denmark and Ireland.

153. At its meeting on 23 January 1973 the Council adopted a Regulation laying down general rules for the system of compensatory amounts applicable, by virtue of the various forms of added sugar⁶ to products processed from fruit and vegetables in trade between the Community as originally constituted and the new Member States, between the new Member States themselves and between those States and third countries. These rules lay down that in conformity with Article 94 of the Act of Accession, for the products in question to which Regulation (EEC) No 865/68 applies, the compensatory amounts shall be determined on the basis of the compensatory amounts for sugar, glucose or glucose syrup as the case may be. The rules also stipulate that the compensatory amount applicable to imports shall be calculated in accordance with the rules applicable for calculating the levy and the compensatory amount applicable

¹ The reasons why the Council established this system for these products, its basic features and its functioning, were set out in the 20th Review, paragraph 142.

² Regulation (EEC) No 228/73, OJ No L 27 of 1.2.1973.

³ Regulation (EEC) No 528/73, OJ No L 51 of 24.2.1973.

⁴ Regulation (EEC) No 1365/73, OJ No L 137 of 24.5.1973.

⁵ See 20th Review, paragraph 142.

⁶ Regulation (EEC) No 185/73, OJ No L 25 of 30.1.1973.

to exports calculated in accordance with the rules applicable for calculating the refund.

At its sitting on 15 May 1973 the Council amended this Regulation¹ to bring its scope into greater conformity with Regulation (EEC) No 241/73, which was adopted by the Council on 31 January 1973, laying down general rules for the system of compensatory amounts in the sugar sector.

(c) *Cereals and rice*

(i) System of compensatory amounts

154. As noted in the previous Review, in July 1972 the Council approved a draft Council Regulation laying down general rules for the system of compensatory amounts for cereals.² At its meeting on 22-24 January 1973 the Council amended this draft Regulation so as to allow limited compensatory amounts to be levied or granted according to price fluctuations in the world market. To do this it proved necessary to adjust the compensatory amounts to the levies by including a table in the Regulation showing the compensatory amounts for each cereal according to the current levy. However, in order to avoid too many fluctuations in the compensatory amounts with their consequent adverse effects on trade, it was laid down that the compensatory amount should only be adjusted in accordance with the levy when the levy moves into another bracket in the table, the levy figures being in brackets of 4 u.a./tonne.

The amended Regulation was adopted by the Council on 31 January 1973.³ On 17 July 1973 the Council amended it again⁴ to adjust the levels of the compensatory amounts applicable up to the end of the marketing year (31 July 1973) to the cereals price levels fixed by the Council for the 1973/1974 marketing year for the Community as originally constituted and for the new Member States.⁵

¹ Regulation (EEC) No 1330/73, OJ No L 136 of 23.5.1973.

² The economic reasons for introducing this system for cereals and the main features of the system are set out in the 20th Review, paragraph 138.

³ Regulation (EEC) No 229/73, OJ No L 27 of 1.2.1973.

⁴ Regulation (EEC) No 1967/73, OJ No L 201 of 21.7.1973.

⁵ See paragraph 202 below.

155. The Council included in the relevant draft Regulation a similar mechanism to that for cereals which enables the compensatory amounts for rice to be adjusted in accordance with the levy as described above. On 31 January 1973 the Council adopted the Regulation fixing the compensatory amounts for husked rice (round grained and long grained) and broken rice.¹ The compensatory amounts for derived products are calculated by applying the coefficients provided for this purpose by Community regulations.²

156. Furthermore, by the Regulations mentioned above the Council provided a means of setting up a system for fixing compensatory amounts for all the products in this sector, i.e. cereals and rice, in advance, in cases where a change in the world market situation causes them to fluctuate.

(ii) Other adjustments to Community regulations on cereals and rice, following the enlargement of the Community

157. In December 1972 the Commission submitted to the Council two draft Regulations, one laying down general rules relating to means of protecting the cereals and rice processing industry, particularly in the new Member States, and the other laying down for these Member States the method of calculating production refunds for starches and quellmehl. The economics and the main features of these draft Regulations were explained in the previous Review.³ However, before adopting the first of these texts at its meeting on 31 January 1973,⁴ the Council made certain amendments to it on 23 January 1973. The object of these was to authorize the new Member States to retain until 31 July 1973 certain reduced fixed items applicable to third countries on 1 January 1972 when importing from third countries which enjoy a more favoured position under a system of preferences. In trade between the United Kingdom and Ireland there is no fixed levy for products covered by the agreement setting up a free trade area between the two countries.

158. Regarding the system of production refunds for starches and quellmehl, which was the subject of the second draft regulation mentioned above, on 23 January 1973 the Council adopted the Regulation so as to make it applicable in the new Member States as from 1 February 1973. As stated in paragraph 141 of the previous

¹ Regulation (EEC) No 243/73, OJ No L 29 of 1.2.1973.

² See also 20th Review, paragraph 139.

³ See 20th Review, paras. 140 and 141.

⁴ Regulation (EEC) No 229/73, OJ No L 27 of 1.2.1973.

Review, this Regulation supplements Regulation No 371/67¹ by which the Council first introduced this system into the Community.

At the same time the Council amended this system² by making provision for a special export levy for certain products to be applied if there should be any long-term price increases on the world market.

159. Lastly, on 16 July 1973 the Council adopted a Regulation supplementing Regulation No 367/67 fixing production refunds on maize groats and meal and broken rice used in the brewing industry.³ This Regulation lays down that these refunds to the new Member States must be calculated by deducting the 'Accession' compensatory amount from the refund calculated for the Six on the basis of the common prices, so as to take account of the current difference between the common prices and prices in the new Member States.

(d) *Seeds*

160. Paragraph 1 of Article 151 of the Act of Accession stipulates that the Regulation fixing aid for seed for the 1972/1973 marketing year to producers in the Community as originally constituted⁴ shall be applicable in the new Member States from 1 February 1973. However, in accordance with Article 96 of the same Act, the amount of aid may be fixed at a level different from that fixed for the Community as originally constituted if the income of producers in the new Member States under the previous national system was appreciably different from the income of producers in the Community as originally constituted. Since this was the case in Denmark, the Council fixed the amount of aid for producers in Denmark at approximately 10% below the aid for the other Member States when on 26 February 1973 it adopted the Regulation extending aid for seeds to the new Member States.⁵

At the same time the Council amended the Annex to the Regulation on the common organization of the market in seed⁶

¹ Regulation (EEC) No 179/73, OJ No L 25 of 30.1.1973.

² Regulation (EEC) No 178/73, OJ No L 25 of 30.1.1973.

³ Regulation (EEC) No 1926/73, OJ No L 199 of 19.7.1973.

⁴ See 20th Review paragraph 164, line 3.

⁵ Regulation (EEC) No 596/73, OJ No L 57 of 2.3.1973.

⁶ Regulation (EEC) No 597/73, OJ No L 57 of 2.3.1973.

by adding flax and tall oakgrass to the list of products eligible for aid. The aim of this measure is to encourage the production of certified seed of flax, particularly in France, the Netherlands and Belgium, and production of tall oakgrass in the German Federal Republic, by granting an aid.

Lastly, on 15 May 1973 the Council, after consulting the Parliament, fixed the aid in respect of these products for the 1973/1974 marketing year.¹ With the same aim as mentioned above, aid for flax was fixed at 8 u.a./100 kg and for tall oakgrass at 30 u.a./100 kg. Aids for the other products (13 species of Gramineae and 5 species of Leguminosae) were fixed at the same level as for the previous year,² since the current and foreseeable market situation in the Community gave no cause to amend them.

(e) *Sugar*

161. Following the accession of the three new Member States to the Community, the Council made a number of decisions in this sector during the period under review.

On 31 January 1973 it adopted Regulation (EEC) No 223/73³ laying down general rules to ensure the proper functioning of the common organization of the market in sugar. Since sugar imported under the Commonwealth Sugar Agreement was available on the United Kingdom market at the marketing price the Council took particular account of this situation so as to avoid distortion of competition, which could have occurred if the effect of applying the first sub-paragraph of Article 55(6) of the Act of Accession had been to make sugar imports into the United Kingdom from the exporting countries covered by the Agreement more expensive.

162. With regard to sugar prices applicable in the new Member States until 30 June 1973 the Council laid down the derived intervention prices for white sugar, the intervention prices for raw beet sugar and the minimum prices for beet,⁴ the marketing price for sugar imported into the United Kingdom under the terms of the Commonwealth Sugar Agreement and measures to assist the market-

¹ Regulation (EEC) No 1350/73, OJ No L 141 of 28.5.1973.

² See 20th Review, paragraph 164, line 3.

³ OJ No L 27 of 1.2.1973.

⁴ Regulation (EEC) No 238/73, OJ No L 29 of 1.2.1973.

ing of sugars produced in the French Overseas Department¹ (in order to avoid distortions in competition arising from differences in refining margins between the British refineries and continental coastal refineries for raw cane sugar, the Council amended the previous system of aid for sugar refining in the overseas departments), and the rules for the implementation of the arrangements for importing sugar into the United Kingdom within the terms of the Commonwealth Sugar Agreement.²

In the first months of applying the new system of prices the United Kingdom noted the necessity for a system of aid for refining raw sugar. Taking account of the exceptional circumstances justifying this aid, on 24 July 1973 the Council authorized the United Kingdom to grant the aid up to 30 June 1974.³

Lastly, as for the other sectors of the common organization of the market, the Council adopted Regulation (EEC) No 241/73 of 31 January 1973 laying down general rules for the system of compensatory amounts for sugar following the accession of the new Member States to the Community and fixed these amounts.⁴ This Regulation was supplemented by Regulation (EEC) No 1638/73 of 18 June 1973⁵ with the aim of laying down the procedure for making certain adjustments to these compensatory amounts which became necessary during the period of price alignment.

(f) *Milk and milk products*

163. In this sector the Council took certain steps in connection with the accession of the new Member States. On 31 January 1973 it adopted two Regulations. One of these, pursuant to the provisions of Article 55 of the Act of Accession, lays down the general rules for the system of compensatory amounts for milk and milk products⁶ and the other lays down general rules for imports of New Zealand butter and cheese into the United Kingdom.⁷ The cif import prices into the UK were fixed at 76.96 u.a./100 kg for butter and 66.45 u.a./100 kg for cheese.

¹ Regulation (EEC) No 239/73, OJ No L 29 of 1.2.1973.

² Regulation (EEC) No 242/73, OJ No L 29 of 1.2.1973.

³ Decision No 73/209/EEC, OJ No L 207 of 28.7.1973.

⁴ OJ No L 29 of 1.2.1973.

⁵ OJ No L 165 of 22.6.1973.

⁶ Regulation (EEC) No 233/73, OJ No L 28 of 1.2.1973.

⁷ Regulation (EEC) No 226/73, OJ No L 27 of 1.2.1973.

(g) *Beef and veal*

164. On 23 January 1973 the Council adopted Regulation (EEC) No 181/73¹ laying down general rules for a system of compensatory amounts for beef and veal.

165. In view of the provisions of the Accession Treaty and the fact that Ireland and the United Kingdom did not immediately adopt the guide prices for beef and veal adopted for the Community as originally constituted and Denmark, in this Regulation the Council laid down the general rules for the system of compensatory amounts for beef and veal which are applicable across the board to all sectors covered by the Common Agricultural Policy.

(h) *Pigmeat*

166. In Regulation (EEC) No 234/73 the Council laid down general rules for the system of compensatory amounts for pigmeat.² This Regulation details the method whereby the differences in price levels for pigmeat between the Community as originally constituted and the new Member States are to be compensated on the basis of the amounts applicable to the quantity of feedgrain required for the production of 1 kilogramme of pigmeat in the Community.

Experience showed that the possibility of changing these amounts at the end of each month led to uncertainty on the market in pigmeat and that it was not necessary to fix them monthly. In order, therefore, to make the pigmeat market more stable by enabling producers and dealers to make medium term plans, the Council adopted the Regulation (EEC) No 2879/73 of 22 October 1973³ which provides that in future these compensatory amounts will be determined every quarter on the same date as the sluice-gate prices and the levies, and that the reference average for calculating these amounts will be adjusted accordingly.

167. The Council also adopted Regulation (EEC) No 231/73 of 31 January 1973 amending Regulations Nos 134/67/EEC and 137/67/EEC on sluice-gate prices and the system of 'pilot and derived products' for pigmeat, with special reference to the nomenclature of goods, so

¹ OJ No L 25/9 of 30.1.1973.

² OJ No L 29 of 1.2.1973.

³ OJ No L 297 of 25.10.1973.

as to take particular account of the necessity of creating specific subdivisions for bacon and like products by reason of their importance in Community trade.¹

(i) *Eggs and Poultry*

168. On 31 January 1973 the Council fixed the compensatory amounts applicable from February to July 1973 to trade in eggs² and certain categories of slaughtered poultry³ between the Community as originally constituted and the new Member States and in trade between the new Member States and third countries.

169. At the same time it also adopted the general rules of the system of compensatory amounts applicable from 1 August 1973 and throughout the transitional period as long as price levels for these products differed between the Community as originally constituted and the new Member States. The Council adopted the compensatory amounts for 63% ducks' on 17 April 1973.⁴

170. Since the application of this system in the first few months showed that some amendments to the general rules for calculating the compensatory amounts were necessary on 22 October 1973 the Council made certain amendments⁵ to Regulations Nos 235/73 and 237/73 which eliminate the uncertainty on the market resulting from the previous system. To do this the Council extended the reference period for calculating the compensatory amounts from 25 to 75 days and the period of their validity for the actual amounts, which is now the same as for the levies.

(j) *Fisheries*

(i) Final accession measures

171. In January the Council adopted two Regulations finalizing measures for the accession of the new Member States to the Com-

¹ OJ No L 28 of 1.2.1973.

² Regulation (EEC) No 237/73, OJ No L 29 of 1.2.1973.

³ Regulation (EEC) No 235/73, OJ No L 29 of 1.2.1973.

⁴ Regulation (EEC) No 1053/73, OJ No L 105 of 20.4.1973.

⁵ Regulation (EEC) No 2880/73, OJ No L 297 of 22.10.1973.

munity. These were Regulation (EEC) No 135/73¹ laying down general rules for determining, in the fisheries sector, the landing areas situated a considerable distance from the main centres of consumption in the Community and Regulation EEC No 240/73 laying down general rules for the system of compensatory amounts for plaice.²

The first Regulation authorizes the withdrawal price to be multiplied by adjustment coefficients for certain distant areas in order to ensure that producers in these areas have access to markets under satisfactory conditions, and the second, following the fixing for 1973 of a special guide price for plaice applicable to Ireland, authorizes the compensation of the resulting price differences between Ireland and the other Member States, on the basis of Article 55 of the Act of Accession.

(k) Good not covered by Annex II Processed from Agricultural Products

172. The Council first laid down the procedure for implementing Article 47 of the Act concerning the Conditions of Accession and the Adjustments to the Treaties, concerning the system of trade applicable to the goods covered by Regulation (EEC) No 1059/69. These rules, which appear in Regulation (EEC) No 232/73 of 31 January 1973 concern in particular the calculation of the tax applicable when the goods in question are imported. They also lay down the conditions under which the new Member States must introduce the maximum duties provided for in the Common Customs Tariff. This Regulation takes account of specific considerations concerning trade between the new Member States and the EFTA countries. The Council also considered the problem of agreements which might possibly be concluded later with Norway and Finland.

173. The Council made a decision concerning the implementing conditions for the system of compensatory amounts on importation of the goods referred to in Article 473 of the Act concerning the Conditions of Accession and Adjustments to the Treaties by adopting Regulation (EEC) No 274/73 on 31 January 1973.³

¹ OJ No L 18 of 23.1.1973.

² OJ No L 29 of 1.2.1973.

³ OJ No L 29 of 1.2.1973.

2. AMENDMENTS TO BASIC REGULATIONS

(a) *Cereals*

(i) Measures against disturbances in Community cereals markets

174. Trends in the main world agricultural markets — which throughout the period under review showed certain upward tendencies — and the embargo imposed by the United States at the end of June on exports of soyabeans led the Council to lay down on 19 July 1973 general rules to be applied in the event of the cereals sector being disturbed.¹ These rules provide that when the cif price exceeds the threshold price established by the Community for the cereal in question by at least 2⁰%, measures may be taken to restrict exports by imposing an export levy and restricting the issue of export licenses.

However, the application of these measures has shown that in practice the cif price as defined in the provisions governing the import arrangements and used as an activating price for implementing the measures mentioned above is not a suitable criterion for fixing an export levy. For this reason, on 28 September 1973, the Council amended this Regulation² on this point to lay down that this levy should in future be fixed exclusively according to the criteria governing export arrangements.

These criteria are trends in cereal prices, available quantities on the Community market and prices on the world market, the need to balance these markets both as regards supplies and trade and the economic aspects of the exports. Lastly the Council made the criteria for fixing the export levy for cereal-based processed products more flexible so as to take better account of the requirements and special features of the markets in these products.

175. There was also a danger that the rice sector might be disturbed since the threshold prices for all the varieties of rice were considerably exceeded by prices recorded in the world market, and on 8 October 1973 the Council took identical protection measures for rice as those for cereals which are briefly outlined above.³

¹ Regulation (EEC) No 1968/73, OJ No L 201 of 21.7.1972.

² Regulation (EEC) No 2632/73, OJ No L 272 of 29.9.1973.

³ Regulation (EEC) No 2737/73, OJ No L 282 of 9.10.1973.

(ii) Measures taken to overcome supply difficulties of common wheat in Italy

176. In early July 1973 considerable difficulties arose in Italy in connection with the supply of cereals of bread-making quality for the population of Southern Italy, particularly that of Naples, Palermo, Ragusa and Caltanissetta. The normal procedure for selling cereals in store, i.e. by invitation to tender, proved inadequate to deal rapidly and effectively with this special situation of speculative price increases for cereals, following the very steep increases in world prices. For this reason on 19 July 1973 the Council authorized Italy to waive the Community regulations mentioned above until 30 September 1973 and to arrange the sale by mutual agreement of 40 000 tonnes of common wheat held by its intervention agency, and to use it exclusively for the manufacture of foodstuffs to be supplied to the population of the areas of Southern Italy.¹ On 1 August 1973 the Council amended this Regulation by increasing the quantity to be sold by mutual agreement to 47 000 tonnes.²

However, since even this massive programme proved inadequate to restore the supply situation to normal in Italy, on the same date the Council made some of the common wheat still held in certain other Member States available to the Italian intervention agency, i.e. 150 000 tonnes from the German Federal Republic, 47 000 tonnes from France and 3 000 tonnes from Belgium.³

(iii) Special system of imports of feedgrain into Italy by sea

177. As stated in the previous Review⁴ when fixing cereal prices for the 1972/1973 marketing year the Council amended Article 23 of Regulation No 120/67 to the effect that each year at the time of fixing cereals prices the Council would establish the amount by which Italy is authorized to reduce the levy on imports from overseas of the main feed grains. Following this decision the Council adopted a Regulation⁵ on 15 May 1973 stipulating that when barley, oats, maize, sorghum or millet are imported by sea into the Italian Republic during the 1973/74 marketing year, that Member State may

¹ Regulation (EEC) No 1984/73, OJ No L 201 of 21.7.1973.

² Regulation (EEC) No 2103/73, OJ No L 214 of 2.8.1973.

³ Regulation (EEC) No 2104/73, OJ No L 214 of 2.8.1973.

⁴ See 20th Review, para. 150, sub-para. 3.

⁵ Regulation (EEC) No 1359/73, OJ No L 141 of 28.5.1973.

reduce the levy by an amount of 6 u.a./tonne (initially 7.5 u.a./tonne). This amount will be reduced successively by 1.50 u.a./tonne at the beginning of each of the four subsequent marketing years.

(b) *Fruit and vegetables*

(i) Encouragement of Community citrus fruit production

178. On 22 January 1973, after consulting Parliament, the Council amended the Regulations adopted in 1969 laying down special measures to improve the production and marketing of Community citrus fruit and to encourage the processing of certain varieties of orange.¹ The main object of these amendments is to retain these measures beyond the dates initially laid down and to postpone for two years, until 31 December 1978, the date by which restructuring of citrus fruit production should be completed.² The Council is to make a statement before the end of 1978 on the advisability of altering or abolishing this scheme.

(c) *Products processed from fruit and vegetables*

(i) Trade with non-Community countries

179. By the end of 1972 the Council had still not completed the task, begun in 1969, of finalizing the common organization of the markets in these products by setting up a uniform Community import system,³ and on 16 February 1973 the Commission submitted a memorandum to the Council on common commercial policy in this sector. This document draws conclusions from an analysis of the different suggestions put forward and examined over the past few years with the aim of deciding on an import system to be applied by the Member States to non-Community countries. On the basis of this document the Council, expressed its approval at its meeting on 18/19 June 1973 of the main features of the Community imports system for this sector which would form part of an overall scheme and also cover the new tariff concessions to be made on agricultural products to countries

¹ See 18th Review, paras. 154 and 155.

² Regulations (EEC) Nos 175/73 and 176/73, OJ No L 25 of 30.1.1973.

³ See 20th Review, para. 162.

of the Mediterranean Basin. The Commission is to submit a new proposal on this matter to the Council based on these principles.

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

180. As stated in the previous Review,¹ the new proposal for a Regulation which the Commission submitted to the Council in July 1972 on this question presented particularly complex technical and economic problems when examined by the appropriate Council departments. In order to resolve these problems Commission departments began further studies in collaboration with experts, but it was not possible to complete these during the period under review.

(d) *Flax and hemp*

181. On 17 October 1973 the Council adopted Regulation (EEC) No 2878/73² amending Regulation (EEC) No 619/71 laying down general rules for granting aid for flax and hemp. This Regulation lays down that, for flax grown mainly for fibre, aid shall be divided equally between the grower and the initial purchaser. The new Regulation, in view of the continued tendency to vertical integration in the flax and hemp sector adapts the provisions of Regulation (EEC) No 619/71 to the practical realities of the present situation, in which there is often no initial buyer. It also defines the grower of flax or hemp so as to provide a more precise ruling on eligibility for aid and to align existing legislation in the individual Member States.

(e) *Fats*

(i) Oil seeds

182. The Council took three measures on oil seeds. It adopted Regulation (EEC) No 986 of 9 April 1973³ amending Regulation No 724/67/EEC which lays down the conditions for intervention in respect of sunflower seed during the last two months of the marketing year, in order to adapt it to the new arrangement whereby the marketing

¹ See 20th Review, para. 163.

² OJ No L 297 of 25.10.1973.

³ OJ No L 99 of 13.4.1973.

year was brought forward by two months so that in future it would commence on 1 September and end on 31 August.

On 26 June 1973 the Council adopted Regulation (EEC) No 1707/73¹ providing for special measures in respect of colza and rape seed for sowing, and at the same time adapting the nomenclature given in respect of these products in Regulations Nos 136/66/EEC, 2358/71 and 950/68. Lastly, on 24 July the Council adopted Regulation (EEC) No 1986/73² on export licences for oil seeds and oil-cake which, following a considerable rise in prices on the world market in oil seeds and oil-cake, institutes a system of export licences which will enable the Commission to follow market trends in these products in an appropriate manner.

(ii) Olive oil

183. On 11 December the Council adopted Regulation (EEC) No 3414/73³ on the formation of a buffer stock of olive oil. This appeared advisable to counteract the adverse effects of the imbalances between supply and demand from one year to another and the resulting instability of prices.

(f) Sugar

184. Since a substantial output of raw beet sugar continues to be produced in the Community the Council adopted Regulation (EEC) No 174/73 of 22 January 1973,⁴ which again extends the period of applicability of the intervention system to raw beet sugar from 30 June 1973 to 30 June 1975.

185. In order to facilitate the management of the sugar market, particularly as regards fixing maximum quotas in those Member States which have opted for what is known as the mixed prices system, the Council adopted Regulation (EEC) No 1928/73 of 16 July 1973 replacing the date of 30 June given in paragraph 3 of Article 31 of Regulation No 1009/67/EEC⁵ by that of 28 February.

¹ OJ No L 175 of 29.6.1973.

² OJ No L 204 of 25.7.1973.

³ OJ No L 351 of 20.12.1973.

⁴ OJ No L 25 of 30.1.1973.

⁵ OJ No L 199 of 19.7.1973.

(g) *Wine*

186. The basic Regulation on wine¹ differs from the 'classical' type of common organization of the market in other products by the fact that in addition to financial provisions which are necessary for managing and protecting a unique market it also has the beginnings of a corpus of common rules concerning certain minimum quality requirements which a wine must meet if it is to be released for direct human consumption.

As part of the process of building up this corpus of rules, on 24 September 1973, on a proposal from the Commission and after receiving the opinions of the Parliament and the Economic and Social Committee, the Council adopted a Regulation² supplementing Regulation (EEC) No 816/70 by an Article 26^a fixing maximum sulphur dioxide content figures for Community and imported wine. The general rule which this lays down stipulates that only red and white wines with sulphur dioxide contents not exceeding 200 mg/1 and 250 mg/1 respectively may be released for direct human consumption.

However, in order to take account in the initial stage of the diversification of Community wine production and of differences between the laws of the different countries on this subject, Article 26a authorizes Member States to continue to apply provisions which are more restrictive than the general Community regulations to the wines produced within their territory, and also provides for a transitional period up to 31 August 1976 during which certain exceptions are authorized to this rule which applies to wines with special characteristics resulting from either a relatively high residual sugar content (greater than 5 g/1), or their source or production and preparation, such as late harvesting or preservation of the taste resulting from the 'putrefaction noble' of the grapes ('noble rot'). These exemptions, which, with one exception, also apply to imported wines, allow for a maximum sulphur dioxide content in these wines of up to 400 mg/1.

However, the Council bore in mind the need to reduce the maximum sulphur dioxide contents in progressive stages for public health reasons, and consequently in paragraph 2 of Article 26a it undertook not to prolong beyond 31 August 1976 the period of

¹ Regulation (EEC) No 816/70, OJ No L 99 of 5.5.1970.

² Regulation (EEC) No 2592/73, OJ No L 269 of 26.9.1973.

validity for the different exceptions mentioned above without taking account of any public health requirements which might arise.

187. In autumn 1973 the Council began work on the basis of a Commission proposal for a Regulation which would supplement the basic Regulation on wine by laying down provisions on oenological practices and processes admissible in wine-making. This also forms part of the long-term programme to harmonize methods of preparing wine.

Additional common rules such as these, which will also apply to imported wines, are necessary to remove barriers to the free movement of wine which still exist in certain cases and also to enable Article 28a of the basic Regulation to be applied uniformly. This stipulates that wines originating in the Community or imported wines which have not been obtained by means of permitted oenological practices may not be released for direct human consumption.

188. At its meeting on 5-6 June 1973 the Council also decided to consult the Parliament pursuant to Article 43 of the Treaty, and, without being bound thereby, the Economic and Social Committee, on the above-mentioned proposal for a Regulation. The latter body delivered its opinion on 27 September 1973.¹

189. Lastly the Council actively continued to study the proposals for Regulations which the Commission submitted in 1971 and 1972 on Regulations for the production and marketing of sparkling wines and rules for labelling table wines, quality wines p.s.r. and imported wines. It is possible that these Regulations, which will constitute an important step towards the establishment of a Community system of regulations covering the wine sector, may be formally adopted in the first half of 1974.

(h) Living plants and nursery products

190. As mentioned in the previous Review,² the departments of the Council which were deliberating the Commission proposals³

¹ OJ No C 101 of 23.11.1973.

² See 20th Review, para. 126.

³ In the form of a proposal for a Regulation on unifying the import systems of each of the Member States with regard to non-Community countries and conditions for applying safeguard measures for products in this sector.

encountered certain difficulties. Meanwhile it has become clear that these difficulties lie in the fact that the Council has not found it expedient to make a decision on the principles to be applied to the long-standing parallel commercial problem, which is much more serious, i.e. the import system to be established for products processed from fruit and vegetables.

Some appreciable progress has been made on the latter question during the period under review.¹

(i) Milk and milk products

191. Adaptations to the existing organization of the market were made by the Council's adoption on 15 May 1973 of Regulation (EEC) No 1354/73 amending Annex II to Regulation (EEC) No 823/68 as regards the conditions for importation of certain cheeses.²

(j) Beef and Veal

192. On 23 January 1973 the Council amended Regulation (EEC) No 805/68 as regards the import rules for beef and veal.³ The Council was forced to amend the import rules to take account of the fact that following the enlargement of the Community the data for determining a world rate for beef and veal were no longer available since three out of the four representative non-Community markets had become Community members. This made it necessary to amend the method of calculating selling prices in non-Community countries.

193. The Council therefore decided that a specific import price may be fixed for calves and adult bovine animals originating in and coming from certain third countries with a commercial structure comparable to that in the Community.

On 23 January 1973 the Council amended Regulation (EEC) No 805/68 concerning the special scale of charges for imports of young bovine animals and calves intended for fattening.⁴ Article 11 of the basic Regulation provides for a special scale of charges to be applied, in certain market conditions, to imports of certain

¹ See para. 179 of this Review.

² OJ No L 141 of 28.5.1973.

³ Regulation (EEC) No 187/73, OJ No L 25 of 30.1.1973.

⁴ Regulation (EEC) No 180/73, OJ No L 25 of 30.1.1973.

categories of young bovine animals and calves coming from third countries and intended for fattening within the Community. Since the Council considered it necessary to increase beef and veal production without increasing the number of cows and consequently the production of milk, it considered that this scale of charges should be reduced. It abolished the levy for young male bovine animals of a minimum weight of 220 kg and a maximum weight of 300 kg, and reduced the rate of customs duty by half, and for calves weighing less than 80 kg it reduced the duty to three-quarters.

194. On 15 May 1973 the Council adopted Regulation (EEC) No 1302/73¹ laying down general rules for intervention on the market in beef and veal .

Since the Council had amended the system of intervention on the market in beef and veal on 28 December 1972 by its Regulation (EEC) No 2822/72,² it was therefore necessary to amend the general rules for intervention on that market laid down by Regulation (EEC) No 972/68. The main amendments which the Council made to this Regulation are designed to take account of the introduction of the so-called 'permanent' intervention into the beef and veal sector and of the amendment to the method of recording offer prices from non-Community countries.

(k) *Pigmeat*

195. Hitherto the mean market price for pig carcasses to be compared with the basic price had been determined by calculating the arithmetical mean of the prices for pig carcasses recorded on the representative markets of the Community.

Since the surveys on the pig population in each Member State, which are made pursuant to the Council Directive of 27 March 1968, now provide exact data on the pig population in each Member State, the Council, on a proposal from the Commission and after receiving the opinion of the Parliament, amended the relevant provisions of the basic Regulation so that in future the market price for pig carcasses, which must be compared, with the basic price under the system of intervention measures, would be obtained by weighting

¹ OJ No L 132 of 19.5.1973.

² OJ No L 298 of 31.12.1972.

the prices recorded on the representative Community markets using coefficients based on the relative size of the pig population in each Member State.¹

(l) *Eggs and Poultry*

196. On 31 January 1973 the Council adopted some technical amendments² to Regulation (EEC) No 1349/72 on the production and marketing of eggs for hatching and poultry chicks.³ The new provisions supplement existing Regulations on the wording to be used in the new Member States for marking eggs for hatching either produced in the Community or imported.

197. On 9 April 1973 the Council adopted a Regulation⁴ amending Regulation No 146/67/EEC as regards the provisions for calculating the levy and the sluice gate prices for certain slaughtered ducks,⁵ and created a new presentation for slaughtered ducks, commonly called '63% ducks'. It also fixed the coefficients for calculating the levy, the sluice gate price and the standard amount applicable to this type of duck, which particularly concerns the new Member States.

198. The Council departments have continued to examine the Commission proposal concerning marketing standards applicable to poultry meat.

(m) *Fishing Industry*

199. On 19 November 1973 the Council adopted a Regulation amending the Annexes to Regulations (EEC) Nos 2142/70 and 950/68,⁶ altering the tariff classification of certain fisheries products and inserting frozen mackerel in Annex IV (B) of the basic Regulation, thus enabling a reference price to be fixed for this product in the same way as for fresh or chilled mackerel.

¹ Regulation (EEC) No 1652/73, OJ No L 166 of 23.6.1973.

² Regulation (EEC) No 225/73, OJ No L 27 of 1.2.1973.

³ OJ No L 148 of 30.6.1972.

⁴ Regulation (EEC) No 988/73, OJ No L 99 of 13.4.1973.

⁵ OJ No L 125 of 26.6.1967.

⁶ Regulation (EEC) No 3159/73, OJ No L 322 of 23.11.1973.

C — Management of the common organization of the markets

1. PROBLEMS CONCERNING MORE THAN ONE SECTOR

200. In the Regulations concerning the suspension of the advance fixing of levies and export refunds in different sectors of the common organization of the markets¹ the Council enacted certain measures which included a time limit for lodging applications for certificates accompanied by applications for advance fixing. Since the individual Regulations concerning sugar, cereals and rice were not sufficiently precise concerning the limit period on 26 March 1973 the Council supplemented them with Regulation (EEC) No 881/73.²

201. The Council also adopted Regulation (EEC) No 3539/73³ providing that agricultural products and goods coming under Regulation (EEC) No 1059/69, when these are not of a commercial nature and are sent in small consignments to private individuals, should be charged at the flat rate of 10% *ad valorem* in conformity with Part II B of the preliminary provisions of the Common Customs Tariff.

2. CEREALS AND RICE

(a) *Cereal prices*

202. After long and complex deliberations at its meeting on 28 April - 1 May 1973 the Council made the decisions providing for common prices for the 1973-1974 marketing year to be calculated for the main agricultural products, including cereals. These form part of the general policy, and were made after consulting the Parliament.

The actual Regulations were formally adopted on 15 May 1973. The Council first of all amended the system for fixing cereals prices laid down by the basic Regulation No 120/67/EEC. This system provided for a basic intervention price to be fixed for rye and for different derived intervention prices to be fixed for the marketing centres for this cereal. Since experience had shown that the regionalization of intervention prices for rye did not entirely meet the

¹ Regulation (EEC) No 2429/72, OJ No L 264 of 23.11.1972.

² OJ No L 86 of 31.3.1973.

³ OJ No L 361 of 29.12.1973.

need for flexibility in the market, the Council decided to replace it marketing centres.¹ The Council had taken a parallel decision the by a single intervention price which would be operative in all the previous year on durum wheat and maize for the same reasons.²

203. Having thus amended the system for fixing cereal prices, the Council fixed the actual price levels for the 1973-1974 marketing year.³ As in the previous year it granted a general price increase, but this was limited to 1% on products in this sector except for rye, for which the price was increased 6.5% above that for the previous marketing year.

The table below gives the prices for the different cereals fixed by the Council for the 1970/1971—1973/1974 marketing years in absolute figures and percentages, which show the trend over this period.

204. Under the common organization of the market in cereals the function of the threshold prices is to ensure that the selling price for imported cereals on the Duisburg market is the same as the target price. To attain this objective the threshold prices must be calculated by deducting the freight costs between Rotterdam and Duisburg, transshipment charges at Rotterdam and a trading margin from the target price. Taking into account the target prices which it had fixed and increases in the items mentioned above, on 17 July 1973 the Council decided to increase the threshold prices for the 1973/1974 marketing year by approximately the same proportions as the target prices for the cereals concerned.⁴

205. In the light of its experience in the regionalization of cereal prices during the previous marketing year the Council decided on the same date not to alter the main marketing centres set up in 1972. Nevertheless it adjusted the intervention prices for these centres in accordance with the increases in basic intervention prices adopted for the 1973/1974 marketing year. Prices for the cereals for which the Council had only fixed a single intervention price operative throughout the Community, namely durum wheat, maize and rye, were fixed at 118.10 u.a./tonne, 84.08 u.a./tonne and 97.92 u.a./tonne respectively.⁵

¹ Regulation (EEC) No 1346/73, OJ No L 141, 28.5.1973.

² See 20th Review, para. 150, sub-para. 2.

³ Regulation (EEC) No 1347/73, OJ No L 141 of 28.5.1973.

⁴ Regulation (EEC) No 1964/73, OJ No L 201 of 21.7.1973.

⁵ Regulation (EEC) No 1927/73, OJ No L 199 of 19.7.1973.

Products	Type of price	1970-1971 Marketing Year u.a./t	1971-1972 Marketing Year u.a./t	Percentage difference	1972-1973 Marketing Year u.a./t	Percentage difference compared with 1971-1972 Marketing Year	1973-1974 Marketing Year u.a./t	Percentage difference compared with 1972-1973 Marketing Year
Durum wheat	Target price	125.00	127.50	+ 2.0	132.60	+ 4.0 %	133.93	1
	Basic intervention price	117.50	119.85	+ 2.0	—	—	—	
	Guaranteed minimum price to producers at wholesale level	145.00	147.90	+ 2.0	153.80	+ 4.0 %	155.33	1
Common wheat	Target price	106.25	109.44	+ 3.0	113.80	+ 4.0 %	114.94	1
	Basic intervention price	98.75	100.72	+ 2.0	104.75	+ 4.0 %	105.80	1
Barley	Target price	95.44	100.21	+ 5.0	104.25	+ 4.0 %	105.29	1
	Basic intervention price	88.48	92.02	+ 4.0	95.70	+ 4.0 %	96.66	1
Rye	Target price	97.50	100.42	+ 3.0	105.45	+ 5.0 %	112.30	6.5
	Basic intervention price	91.00	92.82	+ 2.0	97.45	+ 5.0 %	97.92	2.5
Maize	Target price	95.94	96.90	+ 1.0	101.75	+ 5.0 %	102.77	1

(b) Monthly price increases

206. The 'monthly increases', i.e. the levels to which the target prices, threshold prices and intervention prices for cereals and for the main processed products are increased monthly, in order to compensate for the storage costs and interest charges for storing cereals were fixed by the Council for the 1973/1974 marketing year at its sitting on 17 July 1973.¹ In view of the general increase in the monthly increases made in the previous year,² the Council did not consider it advisable to amend these further, as regards either the amount and number of monthly increases or the periods for which they were granted.

(c) Carry-over payments

207. As in previous years and for the same reasons as given at the time,³ on 25 May 1973 the Council fixed a compensatory carry-over payment for common wheat, rye of bread-making quality and maize in stock at the end of the 1972/1973 marketing year,⁴ granting the maximum payment provided for in Article 9 of Regulation 120/67, namely the difference between the target price valid for the last month of the 1972/1973 marketing year and that valid for the first month of the next marketing year. On the basis of the price levels laid down by the Council for the 1973/1974 marketing year these amounts are 9.56 u.a./tonne for common wheat, 1.79 u.a./tonne for rye and 5.78 u.a./tonne for maize.

208. In the case of the three new Member States whose prices are still below Community prices, since the difference appears as the accession compensatory amount, the Community payments mentioned above were corrected by deducting from them the difference between the 'accession' compensatory amount applicable for 1972/1973 and that applicable for 1973/1974.

In this way the payments for common wheat to Denmark, Ireland and the United Kingdom were fixed at 7.98 u.a./tonne, 8.37 u.a./tonne and 3.35 u.a./tonne respectively, and the payment to Denmark for rye of bread-making quality at 1.79 u.a./tonne.

¹ Regulation (EEC) No 1966/73, OJ No L 201 of 21.7.1973.

² See 20th Review, para. 152.

³ See 20th Review, para. 153.

⁴ Regulation (EEC) No 1406/73, OJ No L 139 of 26.5.1973.

(d) Aid for the production of durum wheat

209. In conformity with the provisions of Article 10 of the basic Regulation No 120/67, which lays down that aid for the production of durum wheat shall be equal to the difference between the guaranteed minimum price and the intervention price, on 17 July 1973 the Council fixed the amount of aid in question for the 1973/1974 marketing year at 37.23 u.a./tonne, which takes account of these established prices.¹

(e) Price of rice for the 1973-1974 marketing year

210. In the rice market there was a tendency for larger areas of land to come under cultivation, at least in Italy, following the previous year's increase in the intervention price.² There was a danger that most of the Community harvest would be sold on the world market, where prices had risen very steeply since demand exceeded supply. In view of this situation, on 15 May 1973 the Council, after consulting the Parliament, fixed the target price for husked rice at 213.25 u.a./tonne,³ which was slightly higher (by 0.83%) than for the previous marketing year.

The intervention prices for paddy rice for Arles and Vercelli which the Council fixed at the same time⁴ were also increased slightly compared with the previous year (by 1%), since the factors affecting the calculation of these prices had not changed appreciably over the past year.

211. Since the function of the threshold prices for husked rice and broken rice is to ensure that the selling price for imported husked rice on the Duisburg market is equal to the target price, the threshold prices fixed by the Council on 17 July 1973⁵ followed the movements of the target price. Thus the threshold price for round-grained husked rice was fixed at 20.90 u.a./100 kg, and for broken rice at 13.085 u.a./100 kg.

On the other hand the sum to be included in the threshold price for milled rice, in order to protect the industry, which was

¹ Regulation (EEC) No 1965/73, OJ No L 201 of 21.7.1973.

² See 20th Review, para. 156, 2nd sub-para.

³ Regulation (EEC) No 1348/73, OJ No L 141 of 28.5.1973.

⁴ Regulation (EEC) No 1349/73, OJ No L 141 of 28.5.1973.

⁵ Regulation (EEC) No 1962/73, OJ No L 201 of 21.7.1973.

fixed by the same Regulation, was again¹ maintained at 0.55 u.a./100 kg.

The final component of the mechanism for managing the common organization of the market in rice, i.e. the monthly price increases for paddy rice and husked rice, was established by the Council at the same time.² The monthly increases adopted by the Council for the two stages, which are operative from 1 December 1973 to 1 July 1974, are practically the same as those for the previous marketing year, namely 0.125 u.a./100 kg for paddy rice (0.120 for 1972/73) and 0.156 u.a./100 kg for husked rice (0.150 for 1972/73).

3. FRESH FRUIT AND VEGETABLES

(a) *Basic prices and buying-in prices*

212. In anticipation of the accession of the new Member States the Council fixed the basic prices and buying-in prices for apples and pears up to 31 January 1973 only.³ For this reason, on 23 January 1973, after consulting Parliament, the Council adopted two Regulations fixing the basic prices and buying-in prices for these products for the last part of the marketing year, i.e. 1 February to 31 May and 1 February to 30 April 1973 respectively.⁴ These prices were fixed at slightly lower levels than for the corresponding period in the previous marketing year since the calculation takes account of factors relating to the new Member States affecting these products.

On 15 May 1973, after consulting Parliament, the Council adopted a Regulation⁵ fixing the basic prices and buying-in prices for the 1973-1974 marketing year for the products given in Annex II of the basic Regulation (cauliflowers,⁶ tomatoes, peaches, lemons, pears, dessert grapes, apples, mandarins and sweet oranges) at levels which, in the event of intervention in the markets, guarantee that prices to the producers will be above the intervention prices operative during the 1972/1973 marketing year, at the rate of 5% for pears and 7.5% for the remaining products.

¹ See 20th Review, para. 156, 3rd sub-para.

² Regulation (EEC) No 1963/73, OJ No L 201 of 21.7.1973.

³ See 20th Review, para. 158.

⁴ Regulation (EEC) Nos 183/73 and 184/73, OJ No L 25 of 30.1.1973.

⁵ The basic price and buying-in price for the product for May 1973 was fixed by the Council on 30 April 1973 by a special Regulation, No 1111/73, OJ No L 114 of 30.4.1973.

⁶ Regulation (EEC) No 1343/73, OJ No L 141 of 28.5.1973.

4. FLAX AND HEMP

213. The Council was requested to fix aid for flax and hemp for the 1973/1974 marketing year.¹ This aid, which under Article 4, paragraph 2 of Regulation (EEC) No 1308/70 is granted per hectare sown and harvested so as to ensure a balance between the required volume of production within the Community and potential outlets for this production, was fixed at 70 u.a. for the United Kingdom, 125 u.a. for Denmark and 150 u.a. for the other Member States for flax, and at 125 u.a. for all the Member States for hemp.

5. VEGETABLE FATS

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

(a) *Oil seeds*

215. In May, the Council adopted the Regulation fixing the target prices and basic intervention prices² for oil seeds at 1% above the prices for the previous marketing year for colza, rape seed and sunflower seeds. On the same date it also adopted a Regulation extending the additional aid for colza and rape seed³ and maintaining this aid at the same level as for the 1972/1973 marketing year. The other components of the prices system for these products, i.e. monthly increases⁴ and derived intervention prices⁵ were adopted in June 1973.

The derived intervention prices for Denmark and the United Kingdom were brought into line with the common prices, as the compensatory amounts were fixed⁶ at lower levels than for the previous marketing year.

¹ Regulation (EEC) No 1361/73, OJ No L 141 of 28.5.1973.

² Regulation (EEC) No 1360/73, OJ No L 141 of 28.5.1973.

³ Regulation (EEC) No 1357/73, OJ No L 141 of 28.5.1973.

⁴ Regulation (EEC) No 1705/73, OJ No L 175 of 29.6.1973.

⁵ Regulation (EEC) No 1704/73, OJ No L 175 of 29.6.1973.

⁶ Regulation (EEC) No 1706/73, OJ No L 175 of 29.6.1973.

(b) *Olive oil*

216. On 15 May the Council adopted the regulation fixing the production target price for olive oil,¹ raising it by some 12.50 u.a./100 kg over the 1972/1973 price. On 27 November the Council extended the marketing year from 1 November to 1 December² following the difficulties which had arisen at the time of fixing the prices, and adopted the other components of the prices system, i.e. the market target price which was increased by some 15.40 u.a./100 kg,³ the intervention price,³ the threshold price⁴ and the monthly increases.⁵ The compensatory amount applicable to unrefined olive oil from Greece⁶ remained the same as for the previous year.

The Council extended the existing system of aid for olive oil but made certain amendments improving supervision.⁷

6. COTTON SEEDS

217. The Council was requested to fix the aid for cotton seeds produced in the Community during the 1973/1974 marketing year.⁸ This aid, which under the terms of Article 1 of Regulation (EEC) No 1516/71 was introduced in order to help to ensure a fair income for the producers concerned, taking account of the market situation and foreseeable trends, was fixed at 82 u.a./ha.

7. SILKWORMS

218. In 1972, by virtue of Regulation (EEC) No 845/72 laying down special measures to encourage silkworm rearing,⁹ the Council had adopted general rules for granting aid in respect of silkworms for the 1972/1973 rearing year.¹⁰ Since experience showed that the period

¹ Regulation (EEC) No 1355/73, OJ No L 141 of 28.5.1973.

² Regulation (EEC) No 2881/73, OJ No L 297 of 25.10.1973.

³ Regulation (EEC) No 3206/73, OJ No L 327 of 28.11.1973.

⁴ Regulation (EEC) No 3207/73, OJ No L 327 of 28.11.1973.

⁵ Regulation (EEC) No 3208/73, OJ No L 327 of 28.11.1973.

⁶ Regulation (EEC) No 3210/73, OJ No L 327 of 28.11.1973.

⁷ Regulation (EEC) No 3209/73, OJ No L 327 of 28.11.1973.

⁸ Regulation (EEC) No 1358/73, OJ No L 141 of 20.5.1973.

⁹ OJ No L 100 of 27.4.1972.

¹⁰ OJ No L 106 of 5.5.1972.

of validity of this Regulation should be extended the Council adopted Regulation (EEC) No 884/73 of 27 March 1973 extending it for the 1973/1974 rearing year.¹

Taking account of the state of the market in cocoons and raw silk, of foreseeable trends on that market and of import policy, by Regulation (EEC) No 1344/73 of 15 May 1973 the Council fixed the aid in question for the 1973/1974 rearing year at 31 units of account per box of silkworm eggs used.²

8. SUGAR

219. The Council's decisions concerning sugar during the period under reference have mainly concerned the fixing of prices and the laying down of associated measures.

220. In Regulation (EEC) No 1345/73 of 15 May 1973 the Council fixed the sugar prices, the standard quality of beet and the coefficient for calculating the maximum quota for the 1973/1974 marketing year, the coefficient being fixed at 1.35. This decision fixed the target price for white sugar at 24.80 u.a./100 kg (compared with 24.55 u.a./100 kg for the preceding year), the intervention price for white sugar at 23.57 u.a./100 kg (compared with 23.34 u.a./100 kg) and the minimum price for beet at 17.86 u.a./tonne compared with 17.68 u.a./tonne. At the same time the Council decided that when all Member States maintain at any given moment a maximum spread of 2.25% between their currencies the price would be increased by 1%.³

221. On 18 June 1973⁴ the Council adopted Regulation (EEC) No 1637/73 fixing the derived intervention prices for white sugar for Italy and the French Overseas Departments, Ireland and the United Kingdom, the derived intervention prices for raw beet sugar, and the minimum derived prices for beet for the same regions. It also fixed the threshold prices at 27.60 u.a./100 kg for white sugar compared with 27.05 u.a./100 kg, at 24.21 u.a./100 kg for raw sugar compared with 23.73 u.a./100 kg and at 3.20 u.a./100 kg for molasses (no change). The guaranteed quantity was set at 7 925 000 tonnes of white sugar

¹ OJ No L 86 of 31.3.1973.

² OJ No L 141 of 28.5.1973.

³ OJ No L 141 of 28.5.1973.

⁴ OJ No L 165 of 22.6.1973.

for the enlarged Community. The coefficient for Member States who opted for the system of mixed prices was set at 2.30 for two years and made applicable to the basic quota for the 1973/1974 sugar marketing year.

222. Lastly, since the Council had fixed the intervention price for sugar at a different level for the 1973/1974 sugar marketing year the Council adopted Regulation (EEC) No 1639/73¹ which amends the marketing prices for the 1973/1974 and 1974/1975 sugar marketing years accordingly. It also adopted Council Regulation (EEC) No 239/73 on 31 January 1973 on the marketing price for sugar imported into the United Kingdom under the terms of the Commonwealth Sugar Agreement and on measures to assist the marketing of sugars produced in the French Overseas Departments.²

223. The Council improved the Community Regulations on sugar by adopting Regulation (EEC) No 1640/73 of 18 June 1973 which amends the general rules on the denaturing of sugar for animal feed by recognizing that the sugar for which a denaturing premium has been fixed may be intended for a special purpose (e.g. apiculture).

9. WINE

(a) *Prices system*

224. Prices are fixed annually in two stages. They are operative for one year, from 16 December of one year to 15 December of the next, for three categories of white and red table wines which are the most representative of Community production.³ Under this system, the Council, on a proposal from the Commission and after consulting Parliament, fixes the different guide prices before 1 August. The levels of these reflect trends in market prices recorded during the two preceding years and the current year. Before 16 December the Council fixes the activating prices for interventions, which are calculated on the basis of existing stocks, the quality and quantity of the current year's harvest and with regard to the need to avoid structural surpluses.

¹ OJ No L 165 of 22.6.1973.

² OJ No L 29 of 1.2.1973.

³ Regulation (EEC) No 945/70, OJ No L 114 of 27.5.1970.

225. Applying these criteria, and taking into account the situation on vegetable products as compared with that in animal products, the Council felt obliged to make initial increases for the reference period from 16 December 1973 to 15 December 1974 and adopted the Regulation of 15 May 1973.¹ These increases were 1% on all the guide prices for wine excepting Type R II, the guide price for which was raised by 3% in order to take more realistic account of the specific market situation in this wine which justifies and even necessitates the progressive elimination of the present difference between the prices for Type R I and Type R II.

On a proposal from the Commission the Council subsequently fixed the activating prices for the reference period in question at its meeting on 10/12 December 1973.² These prices were increased over those for the previous year by 1% for the activating prices for table wines Type R III, A I, A II and A III, and by 3% and 5% of the prices for Type R II and R I respectively. The very appreciable price increase for Type R I was considered indispensable for psychological and political reasons, since it was necessary, at a time when private storage already had to be used in order to avoid too big a reduction in market prices, not to discourage the vine growers in certain southern regions of the Community from their efforts to change over to a better quality of vine.

The table below illustrates clearly the price situation in the wine market:

(b) *Intervention system*

226. The generally satisfactory trends in movements on the wine market since the middle of the 1972/1973 marketing year meant that measures to support the market were not necessary until November 1973. In this satisfactory situation the Council avoided having to authorize the special distillation of certain quantities of table wines which had been necessary during the two previous marketing years.³

¹ Regulation (EEC) No 1352/73, OJ No L 141 of 28.5.1973.

² Regulation (EEC) No 3339/73, OJ No L 342 of 13.12.1973.

³ See 20th Review, para. 172.

Type of wine	Average market prices 1971/1972 and 1972/1973	Guide prices 1973/1974	Intervention activating prices 1973/1974
R I : Red wine with an actual alcoholic strength of between 10° and 12°	1.24 u.a. per °/hl 1.71 u.a. per °/hl	1.46 u.a. per °/hl	1.41 u.a. per °/hl
R II : Red wine with an actual alcoholic strength between 13° and 14°	1.22 u.a. per °/hl 1.92 u.a. per °/hl	1.38 u.a. per °/hl	1.35 u.a. per °/hl
R III : Red wine from wine varieties of the 'Portugieser' type	22.37 u.a. per hl	22.80 u.a. per hl	21.80 u.a. per hl
A I : White wine with an actual strength between 10° and 12°	1.24 u.a. per °/hl 1.70 u.a. per °/hl	1.37 u.a. per °/hl	1.32 u.a. per °/hl
A II : White wine from wine varieties of the Sylvaner or Müller-Thurgau type	34.69 u.a./hl 40.00 u.a./hl	30.40 u.a./hl	28.40 u.a./hl
A III : White wine from wine varieties of the Riesling type	40.96 u.a./hl	34.70 u.a./hl	32.40 u.a./hl

(c) Supervision of production capacity and requirements

227. The basic Regulation on wine requires the Commission to submit the fullest possible report to the Council every year on the current situation and foreseeable trends in the wine market.

Thus, under Article 43 of Regulation (EEC) No 816/70 the Commission is required to submit a final balance of Community wine resources and utilization to the Council at the end of each wine-growing year. The final balance for the 1971/1972 wine-growing year, of which the Council took formal note at its sitting on 13/14 June 1973, shows that compared with the situation at the end of the

1970/1971 wine-growing year¹ the concomitant effect of the reduction by almost 12% in Community production — which was then approximately 133 million hectolitres — and of the slight drop in imports, was to reduce the stock of 8 million hectolitres, even though consumption was less than in the previous year, possibly because of the increase in market prices.

228. The second means by which the Council is able to form an opinion on foreseeable trends in the wine market is the report which the Commission submits annually in accordance with Article 17 of Regulation (EEC) No 816/70.

According to the report submitted by the Commission in September 1973, of which the Council took formal note at its sitting on 19/20 November 1973, advantage should be taken of the present situation, which is one of approximate equilibrium between supply and consumption of wine, to revise upwards the minimum quality criteria for quality wines produced in specified regions.²

There is growing confirmation that the total area under cultivation is only increasing slowly, but that the changeover towards the production of quality wines p.s.r. or table wines described as 'individualised' by reason of their place of origin or the variety of vine producing them has increased considerably. While this trend can only be welcomed it must be remembered that an improvement in the supply position of quality wines p.s.r. could well have an adverse effect on the general market for these wines unless sustained efforts are made to improve their quality. Furthermore, since yield per hectare continues to increase, and this is particularly true for table wines, the quality standards for these wines must be raised. This means in turn that the growers must be encouraged to produce table wines between which the consumer can easily distinguish.

In view of the general significance of trends in the wine market the Commission informed the Council when submitting its report that it would submit a proposal on the amendments which should be made to the Community Regulations governing the wine-producing sector.

¹ See 20th Review, para. 173.

² Regulation (EEC) No 817/70, OJ No L 99 of 5.5.1970.

(d) *Compulsory distillation of wine by-products*

229. Article 24 of Regulation (EEC) No 816/70 prohibits the overpressing of grapes and, to ensure that this prohibition is observed, lays down that after each harvest the growers must deliver a quantity of alcohol to the intervention agencies based on the volume of alcohol contained naturally in the products used for the production of the wine and obtained by the compulsory distillation of the grape marc and wine lees or, failing that, a certain quantity of wine.

Since overpressing is most unlikely in the case of white wine preparation, this system, known as that of 'prestations viniques' (vintners' deliveries) only operates in France and Italy. However, the wine producers in these Member States are recompensed to a certain extent since the Council is bound to fix the price annually which the intervention agencies must pay to the vintners for the alcohol delivered to them under the vintners' deliveries system. If this price is higher than that at which the intervention agency can resell the alcohol, the difference may be covered by an aid from the Guarantee Section of the EAGGF.

On 19 July 1973 the Council, on a proposal from the Commission, adopted Regulation (EEC) No 1930/73,¹ which deals with the application of these provisions to the 1973/1974 wine growing year. It fixes the buying price of this alcohol at 0.72 u.a. per hectolitre/degree of alcohol, which is equivalent to an increase of approximately 5% on the price operating during the previous year.² In spite of this increase in the buying-in price, which was considered essential because of the increased costs of distillation, transport and collection of the by-products of winemaking, the contribution of the EAGGF to this price under the regulation mentioned above was reduced from 0.0814 u.a. per o/hl to nil, since during the period under reference neither the market price recorded in Italy for alcohol of vinic origin nor the resale price for this alcohol in France justified this aid.

(e) *Other amendments to the Regulations on Wine*

230. On 16 July 1973, on a proposal from the Commission, the Council adopted Regulation (EEC) No 1929/73,³ the main purpose of

¹ OJ No L 199 of 19.7.1973.

² See 20th Review, para. 175.

³ OJ No L 199 of 19.7.1973.

which is to extend the exemption from the general prohibition on adding alcohol to wine intended for direct human consumption¹ to certain long-standing products in the new Member States (e.g. British and Irish wines). This Regulation also extends to 31 August 1974 the validity of the provisions authorizing the addition of alcohol of agricultural origin to wines or grape musts intended for the production of aromatic wines under tariff No 22.06, since no provision has been made for harmonizing legislation on this question.

Lastly, on a proposal from the Commission, the Council made certain amendments² to Regulation (EEC) No 1388/70 (classification of vine varieties), providing for a more rigorous inspection of the quality of vine varieties, particularly those which have already been classified or which are under consideration for insertion into the category of 'recommended varieties'.

(f) *Luxembourg protocol*

231. Since the harmonization of specific duties on wine in the Community had not yet been achieved and the application of the specific provisions of the Convention on the Economic Union of Belgium and Luxembourg in favour of Luxembourg wines was still of benefit to the agricultural income of the Grand duchy of Luxembourg in the sector concerned, the Council adopted Regulation (EEC) No 3535/73 of 17 December 1973 extending the period of validity of the provisions of the second sub-paragraph of Article 1³ of the Protocol on the Grand duchy of Luxembourg up to not later than 31 December 1974.¹

10. HOPS

232. On 10 December a proposal for a Council Regulation was submitted to the Council 'fixing, in respect of hops, the amount of the aid to producers for the 1972 harvest'. In accordance with the provisions of the basic Regulation, this proposal was accompanied by a 'report from the Commission to the Council on the situation regarding the production and marketing of hops for the 1972 harvest'. The

¹ Regulation (EEC) No 1093/70, OJ No L 128 of 12.6.1970.

² Regulation (EEC) No 985/73, OJ No L 99 of 13.4.1973.

³ OJ No L 361 of 29.12.1973.

Council decided to submit this proposal to the Parliament for its opinion and it instructed the appropriate Council departments to examine the documents in question.

A draft Regulation on certificates of origin for hops had been submitted to the Council by the Commission in February 1971. A further general study of this matter is being carried out by the Commission.¹

11. TOBACCO

233. On 15 May 1973 the Council adopted a Regulation fixing the norm price, the intervention price and the reference qualities for leaf tobacco from the 1973 harvest. This regulation provides for a 1% increase across the board for all varieties except two (Burley I and Xanti-Yakà) where there were marketing difficulties after the previous harvest which had resulted in large-scale intervention buying. The previous year's price levels were maintained for these two varieties.

At the same time the Council adopted two Regulations, one fixing the intervention prices and reference qualities for packaged tobacco and the other fixing premiums granted to purchasers of leaf tobacco, valid for the same marketing year.

12. MILK AND MILK PRODUCTS

234. As regards the day to day management of this sector the Council fixed the annual prices² in May. This was a delay of six weeks, due to the monetary situation in the Community, which gave rise to the simultaneous adoption of two Regulations, one extending the milk year up to 1 May 1973³ and the other extending it up to 14 May 1973.⁴ The target price was increased by 5.5% over that for the previous year. This increase was only passed on in the inter-

¹ See 20th Review, para. 177.

² Regulation (EEC) No 1188/73, OJ No L 122 of 9.5.1973.

Regulation (EEC) No 1189/73, OJ No L 122 of 9.5.1973.

Regulation (EEC) No 1190/73, OJ No L 122 of 9.5.1973.

³ Regulation (EEC) No 883/73, OJ No L 86 of 31.3.1973.

⁴ Regulation (EEC) No 1109/73, OJ No L 114 of 30.4.1973.

vention price for skimmed milk powder and altered the fats proteins ratio, which at present is 42:58. Consequently the intervention price for butter was reduced in proportion. On the same date the Council also adopted Regulation (EEC) No 1191/73¹ laying down general rules for the granting of a consumer subsidy for butter, which allows the Member States to grant a consumer subsidy of 10 u.a./100 kg for the period between 14 May 1973 and 31 March 1975. In this connection the Council also adopted Regulation (EEC) No 3267/73² on 3 December, extending the period of validity of Regulation (EEC) No 2716/72 which lays down general rules for measures to increase the use of butter by certain classes of consumers up to 31 December 1974 ('social butter').

Lastly, on 17 December the Council adopted Regulation (EEC) No 3478/73³ amending Regulation (EEC) No 1411/71 as regards the fat content of whole milk, which makes it possible for the Commission to postpone the date of 31 December, specified in the second paragraph of Article 6 of Regulation (EEC) No 1411/71 in respect of the statutory fat content of 3.50 %, up to 31 May at the latest.

13. BEEF AND VEAL

235. On 27 March 1973 the Council adopted Regulation (EEC) No 813/73⁴ extending the 1972/1973 marketing year for beef and veal which it amended on 30 April 1973 by Regulation (EEC) No 1110/73.⁵ By these two regulations the Council extended the 1972/1973 marketing year up to 31 May 1973, to take account of certain developments in the monetary situation which had made it necessary to reconsider all factors affecting the fixing of prices for the 1973/1974 marketing year.

On 8 May 1973 the Council adopted Regulation (EEC) No 1192/73⁶ fixing the guide prices for calves and adult bovine animals for the 1973/1974 marketing year.

¹ OJ No L 122 of 9.5.1973.

² OJ No L 334 of 5.12.1973.

³ OJ No L 357 of 28.12.1973.

⁴ OJ No L 80 of 28.3.1973.

⁵ OJ No L 114 of 30.4.1973.

⁶ OJ No L 122 of 9.5.1973.

In Regulation (EEC) No 1192/73 of 8 May 1973,¹ the Council fixed the guide prices for calves and adult bovine animals at the following levels:

	Units of account per 100 kg liveweight	
	Ireland and the United Kingdom	Other Member States
Calves	84.35	103.75
Adult bovine animals	70.—	86.20

By adjusting the guide prices for adult bovine animals to 10.5 % above those for the previous year, the Council sought to demonstrate its desire to encourage increased beef and veal production. This decision forms part of a long-term policy of encouraging a changeover to this type of production, and follows an increase of 8 % which was granted for the previous year.

236. In accordance with the second paragraph of Article 14 of the basic Regulation, on 11 December 1973 the Council adopted the estimate of the meat intended for the processing industry for the period 1 January to 31 December 1974. This estimate reveals a 1973 shortfall of 202 715 tonnes of unboned meat.

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

One of these Regulations concerns a Community tariff quota for frozen beef and veal falling within sub-heading 02.01 A II a) of the CCT (1973).² During the multilateral GATT negotiations the Community undertook to open an annual Community tariff quota of 22 000 tonnes at a duty of 20 %. Under the Agreement with the Argentine, the Community undertook to open an autonomous supplementary quota of 12 000 tonnes at the same customs duty to take account of

¹ OJ No L 122 of 9.5.1973.

² Regulation (EEC) No 186/73, OJ No L 25/21 of 30.1.1973.

the enlargement of the Community. This tariff quota is apportioned as follows: Benelux 4 570 tonnes, Denmark 200 tonnes, France 2 290 tonnes, Germany 4 750 tonnes, Ireland 100 tonnes, Italy 10 390 tonnes and the United Kingdom 11 700 tonnes.

Another Regulation opens a Community tariff quota of 30 000 head of heifers and cows other than those intended for slaughter, of certain mountain breeds, falling within sub-heading ex 02.01 A II b) 2 of the CCT.¹

In an exchange of letters with Austria dated 21 July 1972 the Community undertook autonomously to increase this Community tariff from the 20 000 head usually granted in the past to 30 000 head and to reduce the quota duty for these animals from 6% to 4%. This reduction was finalized by Regulation (EEC) No 707/73 of the Council of 12 March 1973.² Because of the special factors to be considered, both geographical and zootechnical, an initial instalment of the quota amount was allocated among three Member States only, France, Germany and Italy, who were allotted 3 500, 9 000 and 5 500 head respectively; the remainder forms a reserve in case of any increase in imports of these animals.

If any of the new Member States found themselves short of the cattle covered by this quota they would be able to draw on a sufficient quota from the reserves, reserve supplies permitting.

Lastly a Community tariff quota was opened of 5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain mountain breeds falling within sub-heading ex 01.02 A II b) of the CCT,³ at a fixed duty of 4%. This quota is allocated on the same basis as the previous quota, the first instalment being allocated as follows: France 100 head, Germany 175 head and Italy 3 225 head. The choice of management system is left in each case to each Member State for the quota allocated to it.

238. On 15 May 1973 the Council adopted Regulation (EEC) No 1353/73⁴ introducing a premium system for the conversion of dairy cow herds to meat production and a development premium for the specialized raising of cattle for meat production. In this way the Council reinstated the system which it developed in October 1969, ad-

¹ Regulation (EEC) No 1944/73, OJ No L 200 of 20.7.1973.

² OJ No L 68 of 15.3.1973.

³ OJ No L 200 of 20.7.1973.

⁴ OJ No L 141 of 28.5.1973.

justing it to the new situation regarding beef and veal. By this measure the Council hopes to counteract the large and growing surpluses in the milk and milk products sector by granting a premium for the conversion of dairy cow herds to meat production to farmers who, although they do not dispose of their cows, give up, for a period of four years, all marketing of milk and milk products.

However, it appeared necessary to the Council to restrict the granting of this premium to farmers who already have sufficient means of production to ensure that the conversion to meat production will not involve any appreciable reduction in their income, although account should be taken of the existence within the Community of certain regions in which small dairy cow herds predominate and in which agricultural production may be directed towards products other than milk.

At the same time the Council authorized Member States where the raising of cattle may prove difficult in one or more regions not to implement the provisions concerning the conversion premium in the regions concerned, but in such cases to make provision for a development premium for the specialized raising of cattle for meat production.

239. On 23 January 1973 the Council adopted Regulation (EEC) No 182/73¹ suspending the import charges and compensatory amounts for beef and veal. This was amended by Regulation (EEC) No 814/73 of 27 March 1973,² and these two regulations were extended on 29 April 1973³ and 15 May 1973⁴ respectively. The Council judged it necessary to adopt these different Regulations to extend the system for dealing with the shortage of supplies of beef and veal in the Community.

It decided to apply the following autonomous duty rates, suspension rates and compensatory amounts:

On 19 July 1973 the Council adopted Regulation (EEC) No 1969/73⁵ laying down the provisions on the repeal of the suspension of the import charges and the compensatory amounts for beef and veal.

¹ OJ No L 25 of 30.1.1973.

² OJ No L 80 of 28.3.1973.

³ Regulation (EEC) No 1113/73, OJ No L 114 of 30.4.1973.

⁴ Regulation (EEC) No 1331/73, OJ No L 136 of 23.5.1973.

⁵ OJ No L 201 of 21.7.1973.

CCT heading No	Description of goods	Rate of autonomous duty applicable				Rates of suspension	
		by the original Community and Denmark on imports		by the United Kingdom	by Ireland	of the levy	of the compensatory amounts
		from third countries	from the United Kingdom and Ireland				
ex 01.02 A II	a) Live animals of the bovine species of domestic breeds other than pedigree breeding stock, with the exception of those referred to in this Annex under (c) and (d)	8 %	8 %	0	£ 0.50 head	100 %	100 %
02.01 A II a)	b) Edible meat of the domestic bovine species, fresh, chilled or frozen	10 %	10 %	0	£ 0.0025 per lb	100 %	100 %
ex 01.02 A II a)	c) Calves intended for fattening of a weight of up to 80 kg	0	0	0	0	100 %	100 %
ex 01.02 A II b) 2bb)	d) Young male bovine animals intended for fattening, of between 220 kg minimum and 300 kg maximum	0	0	0	0	100 %	100 %

This Regulation lays down provisions enabling the Commission to terminate the scarcity measures when the price situation in the Community no longer justifies their maintenance.

14. PIGMEAT

240. In spite of the provisions adopted in this sector as required by the adjustment of the common organization of the market to the enlargement of the Community, management decisions in this sector have concerned the fixing of prices and technical amendments to Community Regulations.

241. As regards prices, the Council adopted Regulation (EEC) No 1351/73 of 15 May 1973¹ which determines the standard quality for slaughtered pigs and fixes the basic price for the 1973/1974 marketing year at 86 u.a./100 kg compared with 82.5 u.a./100 kg for the previous year. This takes account of the effects of price increases in feedgrain on the cost of pig production, and is based on the policy of adopting the most representative class and categories of weight in Community production as the standard quality. This regulation also contains a provision aimed at reaching the next stage in the return to market unity once all the Member States apply the rule on maintaining at any given moment a maximum spread of 2.25 % between their currencies.

242. As regards technical amendments to Community Regulations, the Council adopted Regulation (EEC) No 3158/73 of 19 November 1973 which introduces a sub-heading 'boneless and frozen meat' in order to take account of the specific development in trade in products of a certain presentation in the pigmeat sector. This Regulation also provides that for this new tariff sub-heading a sluice gate price and a levy will be calculated using a coefficient reflecting the relative value of these meats and pig carcasses.²

15. FISHING INDUSTRY

(a) *Amendment to Regulation (EEC) No 166/71 laying down common market standards for shrimps of the genus 'Crangon' sp.p.*

243. The Council adopted Regulation (EEC) No 3400/73³ lifting the ban on marketing Size Category 2 shrimps for human consumption

¹ OJ No L 141 of 28.5.1973.

² OJ No L 322 of 23.11.1973.

³ OJ No L 349 of 19.12.1973.

because of the general reduction of shrimp supplies in the Community.

(b) Fixing of prices in the fishing industry

244. In December the Council fixed the annual prices, i.e. the guide prices for fresh¹ and frozen² fishery products, the Community producer price for tunny³ and the intervention prices for sardines and anchovies.⁴ Most of these prices were increased to take account of the price increases recorded during the reference period. At the same time as adopting the Regulations on prices the Council adopted a Regulation repealing the compensatory amounts⁵ which had been operated during the previous year because a special guide price for Ireland had been fixed.

The guide prices adopted by the Council for the most important products, i.e. fresh products, were as follows: cod 385 u.a.; saithe 217 u.a.; haddock 275 u.a.; herrings 196 u.a.; whiting 315 u.a.; mackerel 200 u.a.; plaice 345 u.a.; redfish 363 u.a.; shrimps 814 u.a.; anchovies 373 u.a.; Atlantic sardines 399 u.a.; and Mediterranean sardines 226 u.a.

D — Trade arrangements

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

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

245. In view of the potato shortage noted in the Community and so as to counteract the increase in prices for this product, on 27 March 1973 the Council adopted a regulation totally suspending until 1 June 1973 the autonomous duties in the Common Customs Tariff

¹ Regulation (EEC) No 3395/73, OJ No L 349 of 19.12.1973.

² Regulation (EEC) No 3398/73, OJ No L 349 of 19.12.1973.

³ Regulation (EEC) No 3396/73, OJ No L 349 of 19.12.1973.

⁴ Regulation (EEC) No 3397/73, OJ No L 349 of 19.12.1973.

⁵ Regulation (EEC) No 3399/73, OJ No L 349 of 19.12.1973.

on potatoes falling within sub-heading 07.01 A III.¹ At its meeting on 4 April 1973 it extended this measure to new potatoes (sub-heading 07.01 A II of the CCT) to operate up to 1 May 1973 only,² and lastly on 29 April 1973 extended this measure up to 15 May 1973.³

(b) *Minimum prices*

246. For the reasons which led the Council in December 1972 to extend for one year the system of minimum prices and the taxes which could replace them for products not subject to a common organization of the market,⁴ a system established by the Council Decision of 20 December 1969,⁵ it decided, after consulting Parliament, on 17 December 1973, to authorize Member States once again to apply these measures⁶ up to 31 December 1974 in intra-Community trade, thus allowing France to apply minimum prices to potatoes for storage, and Belgium, France, the Federal Republic of Germany and Luxembourg to apply them to new potatoes, and allowing them to apply countervailing charges to replace the minimum prices, allowing France to apply minimum prices to seed potatoes and Germany to apply minimum prices to edible vinegars and edible substitutes therefor, other than wine vinegar.

2. GOODS NOT COVERED BY ANNEX II PROCESSED FROM AGRICULTURAL PRODUCTS⁷

247. The Council amended Articles 6 and 7 of Regulation (EEC) No 1059/69 in the light of experience to enable the Commission to calculate the variable component from the data available on the 10th of the month preceding the quarter for which this maximum factor must be fixed.⁸

248. Furthermore, the specific problem of applying maximum rates of duty was examined in relation to the free-trade agreement concluded with the non-applicant EFTA countries [with reference to Article 8

¹ Regulation (EEC) No 831/73, OJ No L 82 of 30.3.1973.

² Regulation (EEC) No 908/73, OJ No L 89 of 5.4.1973.

³ Regulation (EEC) No 1114/73, OJ No L 114 of 30.4.1973.

⁴ See 20th Review, para. 191.

⁵ OJ No L 328 of 30.12.1969.

⁶ OJ No L 360 of 29.12.1973.

⁷ See also C — Problems concerning several sectors, para. 201.

⁸ Regulation (EEC) No 1491/73, OJ No L 151 of 7.6.1973.

of Regulation (EEC) No 1059/69 taken in conjunction with Article 3 of Regulation (EEC) No 232/73]; work is proceeding on this matter.

249. Lastly, on 18 December 1973 the Council adopted Regulation (EEC) No 3538/73¹ on the use to be made of inward processing arrangements in trade in goods covered by Regulation (EEC) No 1059/69 between Member States of the Communities originally constituted and the new Member States and between the new Member States themselves.

E — Agricultural surveys and statistics

1. FARM ACCOUNTANCY DATA NETWORK

250. On the basis of the report submitted by the Commission on 18 October 1972 and in implementation of Article 23 of Regulation No 79/65/EEC² on the operation of the Community accountancy data network and the results of the first three financial years 1968-1970, on 23 October 1973 the Council adopted a Regulation amending the basic Regulation. This was Regulation (EEC) No 2910/73,³ which takes into consideration the experience gained and also the new situation arising from the enlargement of the Community. The amendments, which were made to take account of the opinion of the Parliament, delivered on 16 March 1973, concern the utilization of the accountancy data and an annual report to be submitted to the Council and Parliament on the situation concerning agriculture and agricultural markets as well as farm incomes in the Community; the field of survey which in future will cover those agricultural holdings which ensure the employment per year of at least one worker (1 mpu), although this limit may be reduced to 0.75 mpu in the case of a Member State, and the number of returning holdings, which will rise from 13 600 to 28 000 over the period 1975-1978.

2. SURVEYS OF PIG PRODUCTION

251. In adopting Directive No 73/359/EEC⁴ on 19 November 1973 the Council supplemented the Directive laying down additional

¹ OJ No L 361/73, of 29.12.1973.

² OJ No L 109 of 23.6.1965.

³ OJ No L 299 of 27.10.1973.

⁴ OJ No L 356 of 27.11.1973.

provisions concerning surveys of pig production to be made by Member States following the enlargement of the Community, and sub-divided the territorial divisions made for statistical purposes in the new Member States.

3. STATISTICAL SURVEYS ON BOVINE ANIMAL HERDS

252. On 15 May 1973 the Council adopted a Directive on the statistical surveys to be carried out by Member States on bovine livestock, on forecasts on the availability of bovine animals for slaughter and on statistics on slaughtered bovine animals.¹

The aim of this decision is to provide the Commission with information on trends in bovine livestock and a short-term forecast of the availability of beef and veal on the market, since this data is necessary to the proper management of the market in beef and veal. This could only be done by instructing all the Member States to carry out surveys on bovine livestock, on the basis of standard categories and with a similar degree of precision, by supplementing and standardizing monthly statistics on animals slaughtered and by providing forecasts by category covering identical periods in each Member State on the production of bovine animals for slaughter.

Since the Council is aware of the necessity for the progressive harmonization of statistical data, it made the programme for compiling statistics on bovine livestock an experimental measure, and the Commission was requested to submit a report on this operation every three years and, if necessary, proposals for harmonization or improvement of the methods used.

4. AGRICULTURAL RESEARCH

253. In January 1973 the Commission submitted a proposal to the Council concerning Agricultural research which had the objective of ensuring a certain amount of coordination of research on agricultural economics at national level so as to avoid duplication of effort and enable the findings to be disseminated more widely, and of implementing, at Community level where appropriate, research pro-

¹ OJ No L 153 of 9.6.1973.

grammes which would assist in achieving the objectives of the common agricultural policy.

On examination this proposal raised two main problems. The first consideration was whether it would not be expedient to make any regulations concerning research and development part of the general future policy of the Community in this matter, rather than embarking on a number of regulations concerning research in agriculture alone. The second concerned the division of responsibilities for research into agricultural economics between the Council and the Commission. These questions are being examined by the Council departments, and the Council will probably be able to adopt the proposed regulations during the first half of 1974.

F — Problems concerning the EAGGF

254. On the whole the work of the EAGGF during 1973 may be said to have followed the normal pattern. However, three matters which arose during the year should be mentioned.

255. On 15 October 1973 the Council decided on aid from the Guidance Section of the EAGGF for 1973.¹ Of the annual credits of 325 million u.a. the Council, under Regulation 17/64/EEC, apportioned 170 million u.a. to finance individual projects to improve agricultural structures, and a further sum of approximately 46 million u.a. to finance common measures within the meaning of Article 6 of Regulation (EEC) No 729/70. The remaining portion was to be used for financing certain specific projects which the Council had previously approved.

256. The general rules for the financing of interventions by the Guarantee Section of the EAGGF² were supplemented as regards the definition of measures to be treated as interventions intended to stabilize the agricultural markets within the meaning of Article 3³ of Regulation (EEC) No 729/70.³ In addition, Regulation (EEC) No 330/74⁴ adopted by the Council on 4 February 1974 made a certain

¹ Regulation (EEC) No 2809/73, OJ No L 290 of 17.10.1973.

² Regulation (EEC) No 2824/72, OJ No L 298 of 31.12.1972.

³ Regulation (EEC) No 3536/73, OJ No L 361 of 29.12.1973.

⁴ OJ No L 37 of 9.2.1974.

number of technical amendments to existing legislation. In the absence of a proposal from the Commission, it was not possible within the time allowed by the second paragraph of Article 2 of Regulation (EEC) No 2824/72 to define the general rules applicable to interventions where an amount is not fixed in u.a. (e.g. certain storage costs). The Council was therefore obliged to postpone the date for applying these measures to 31 December 1974.

257. Lastly the Council again had to postpone certain dates concerning the work of the Guidance Section of the EAGGF, since the Commission had been unable to observe the time limits initially laid down.¹

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

1. GENERAL REVIEW

258. During the period under review the Council continued its work of harmonizing national legislation in the Member States on health, hygiene and standards, as part of its policy of liberalizing trade in agricultural food products. Most of the decisions reported in this chapter are based on Article 100 of the Treaty, taking account of the necessity for the approximation of such provisions in Member States as directly affect the establishment or functioning of the Common Market, and on Article 43, since they contribute to the attainment of the objectives of the common agricultural policy.

The Council has implemented various resolutions confirming and defining these objectives as they apply to this sector. These concern an action programme in the veterinary field,² a programme to eliminate technical barriers to trade in foodstuffs,³ and measures to counter inflation by harmonizing those laws and regulations which because of their diversity restrict intra-Community trade in foodstuffs on grounds of hygiene and public health.⁴

¹ Regulation (EEC) No 429/74, OJ No L 50 of 22.2.1974.

² Resolution of 12.3.1968, OJ No C 22 of 18.3.1968.

³ Resolution of 28.5.1969, OJ No C 76 of 17.6.1969.

⁴ Resolution of 5.12.1972 item IX, OJ No C 133 of 23.12.1972.

More specifically in the matter of foodstuffs, the Council brought its work timetable up to date in its Resolution of 17 December 1973 on industrial policy and in particular the abolition of technical barriers to trade.¹ In adopting this Resolution it expressed the wish that the Commission should propose similar programmes and timetables for harmonizing other agricultural and food sectors.

259. While it became necessary during 1973 to add to certain files following the enlargement of the Community, on many of which the Commission had to make amended proposals, some important decisions were made on foodstuffs for human consumption as regards cocoa, chocolate and sugars and also animal feeding stuffs.

260. In addition the Member States and the Commission intensified their work on coordinating the parallel projects which under Community law they are bound to carry out on international food standards, namely the joint FAO/WHO programme on the Codex alimentarius and also the Economic Commission for Europe (ECE) and the International Olive Oil Council (IOOC).

2. VETERINARY LEGISLATION

261. On 26 March 1973 the Council adopted a Decision on action to protect Community livestock against certain strains of foot and mouth virus² in conformity with the basic principles for Community measures to be adopted in the veterinary field. In this Decision the Council considered it expedient to provide means of counteracting the A 22 sub-type of foot and mouth virus effectively. Since a recommendation of the International Office for Epizootic Diseases prohibits the preparation of anti-foot and mouth disease vaccines on Community territory unaffected by this virus, the Council decided to finance the establishment and storage of a reserve stock of vaccine outside its territory as an immediate precautionary measure against any future outbreak of the virus.

Lastly, in order to give greater protection to Community territory, the Council made provision for vaccine taken from this Community stock to be supplied to certain non-Community countries whose territories border on that of the Community, if the health situation in the Community should allow it.

¹ OJ No C 117 of 31.12.1973.

² OJ No L 106 of 20.4.1973.

On 17 April 1973 the Council adopted a Decision relating to measures against foot and mouth disease.¹ The purpose of this Decision was to contribute the sum of 600 000 u.a. towards the campaign undertaken by the FAO against the exotic strain of foot and mouth disease in Greece and Turkey.

This Decision, which was mainly aimed at establishing buffer zones at the Community's borders to prevent the disease from spreading to the Community, illustrates the Council's wish to meet certain international obligations which it has undertaken in this field.

262. On 5 June 1973 the Council amended the Directive of 26 June 1964 on intra-Community trade in bovine animals and swine,² in respect of the list of official institutes made responsible for the testing of antigens. This amendment, which was made necessary by the enlargement of the Community, only concerns the Irish institute.

263. During 1973 the various Council departments have continued to examine proposals for various Regulations without managing to finalize them, because of the complexity of the questions in the Community of the Nine. These proposed Regulations concern health problems in intra-Community trade in meat-based products, problems of health inspection in intra-Community trade in meat-based products, health conditions and health inspection conditions which whole raw milk must meet as a raw material for the preparation of heat treated milk and its derivatives and health problems concerning the production and marketing of heat treated milk.

3. LEGISLATION ON FOODSTUFFS

264. Whereas in the past Community Regulations had only contained general provisions applicable to all foodstuffs, i.e. the list of permitted additives, in 1973 the first sets of provisions concerning specific categories of foodstuffs were adopted.

265. One of these was the Directive of 24 July on the approximation of the laws of the Member States relating to cocoa and chocolate products and chocolate intended for human consumption³ and another

¹ OJ No L 108 of 25.4.1973.

² OJ No L 172 of 28.6.1973.

³ OJ No L 228 of 16.8.1973.

was the Directive of 11 December 1973 on the approximation of the laws of the Member States concerning certain sugars intended for human consumption.¹

These two texts constitute an important step towards the liberalization of trade and equality of competition conditions in two important sectors of the food industry in the Community. Thus the first of these Directives is based on Article 100 of the Treaty, but the second is based on Articles 100 and 43, because in standardizing the different categories of sugar (sucrose) it contributes to the smooth running of the common economic organization of the market, which previously was still affected by health and technical barriers to trade.

While the Council was pursuing these objectives in the food sector, it was nevertheless necessary to take account of commercial and consumer interests in the situations in each of the Member States. This sometimes involved technological and commercial considerations and sometimes rulings concerning public health and fair dealing.

The time limits laid down by these provisions allow one year following the notification of the Directive for amending laws in the Member States and two years for their effective implementation.

(a) The Directive concerning cocoa and chocolate

266. This is the first Directive adopted by the Council in this sector, and its provisions fulfill the objective known as total harmonization in the sense that they aim for completeness regarding their field of application and scope. This is the reason why the work to complete them has taken so long and why it has been so difficult to resolve certain differences. The provisions include a complete catalogue giving names and definitions of the various products in this sector, ranging from raw materials such as beans, fat-reduced cocoa and cocoa butter to the most sophisticated products, such as different categories of cocoa powder and chocolates, filled chocolate and praline chocolates. This catalogue contains products which were not customary in all of the Member States. Thus they will be able to move freely but transitional periods have been laid down for certain categories so as to facilitate consumer adjustment.

¹ OJ No L 356 of 27.12.1973.

267. Common rules are laid down concerning composition and manufacture. Two difficulties arose in establishing these rules which were solved in the following way. In the matter of non-mechanical extraction methods for cocoa butter the use of solvents (petroleum essence), which in general has been permitted, remains dependent on national legislation initially, and the Council will draw up a list of solvents authorized throughout the Community at a later date.

As regards chocolate manufacture, the Member States will remain at liberty for three years to authorize or prohibit the use of vegetable fats other than cocoa butter or not derived from the cocoa bean, and it will be for the Council to decide at the end of this period on which common provisions will ultimately be applicable.

268. Rules for packing (an exclusive scale of the only net weights authorized) and labelling (name, qualifying terms relating to the composition, net weight, name or trade name of the manufacturer, packer or seller) are also laid down. However, without prejudice to later regulations applicable to foodstuffs in general, certain specific points have not been harmonized, for example the question of bulk sales in the retail trade, and whether or not the name of the manufacturer or the names of non-Community countries of origin should be shown. Member States are free to specify their own language for the essential information on the labelling.

Lastly the Directive lays down a safeguard clause in case danger arises from the use of solvents for cocoa butter extraction. If a Member State applies this clause it is the Council's responsibility to decide on the action to be taken, acting on a proposal from the Commission.

Finally, the sampling procedures and methods of analysis which are necessary to check that these provisions are being observed have been laid down under the joint Commission/Standing Committee on Foodstuffs procedure.

(b) The Directive concerning certain sugars

269. The Directive concerning certain sugars gives Community definitions and categories for the main sugars forming the bulk of the trade, namely the different types of sucrose, semi-white sugar, sugar or white sugar, extra-white sugar and sugar solution, invert sugars, glucose syrups and dextroses. It also lays down characteristics of composition and rules for labelling and packing for these

different qualities of sugars. It should be mentioned that the provisions prohibit colouring (blueing) of the sugars intended for sale as such. They also lay down the maximum sulphur dioxide contents (for anti-oxidation). However, as regards this last point, the definitive system laid down may only be applied after three years. Provision is also made for a transitional period of five years during which sugar may be packed in net weights other than those laid down by the Directive.

As in the case of the preceding Directive, the implementing measures concerning sampling procedures and methods of analysis will be adopted through the Standing Committee on Foodstuffs.

(c) Amendments concerning additives

270. In the foodstuffs sector no provision was made, as in the case of seeds or animal feedingstuffs, for technical adjustments to basic Directives which have become necessary by the development of techniques and knowledge, under any Commission/Standing Committee procedure.

For this reason the Council, in its Directive of 17 February 1973, adopted a ninth amendment to its Directive of 5 November 1963 on preservatives¹ and thus completed the list of permitted substances for preserving foodstuffs by adding formic acid and its salts, and hexamethylenetetramine to be used in limited quantities for treating Provolone cheese. It also provided for the exceptional use under certain conditions of hexamethylenetetramine in semipreserved fish and in caviar, boric acid in caviar and egg products, and formaldehyde in 'Grana Padano' cheese.

(d) Other work

271. The Council also continued its work in the food sector on the different proposals which had been submitted in previous years. In some cases amended proposals have been promised by the Commission.

¹ OJ No L 38 of 11.2.1974.

4. LEGISLATION ON ANIMAL FEEDINGSTUFFS

272. While work is still continuing on examining a draft Directive on general rules applicable to trade in animal feedingstuffs two important decisions have been taken.

On 17 December 1973¹ the Council adopted a basic amendment to the Directive of 23 November 1970 concerning additives in feedingstuffs,² in that future amendments to the annexes to the Directive concerning the list and the authorized dosages of the additives will be carried out in accordance with the Commission/Standing Committee on Feedingstuffs procedure. As in the seed and plants sector, this amendment gives a most desirable flexibility to the decision-making procedures in an essentially technical field.

273. Furthermore, on 28 April 1973 the Council finalized its regulations by adopting the list and maximum contents of the only undesirable substances permitted in animal feedingstuffs.³ These substances, which are present in a natural state or through contamination, are toxic and it was important in the interests of free movement to harmonize the prohibitions and restrictions on this matter. The substances concerned are heavy metals, lead, etc. or natural toxic subjects, aflatoxine, theobromine, mustard essence, ergot, etc.

This new Directive, following the 1970 Directive concerning additives (preservatives, anti-oxidants, antibiotics or coccidiostats) constitutes a further step towards the minimum quality guarantee for products offered in the Community to feedingstuffs manufacturers and livestock breeders.

5. LEGISLATION ON PLANT PROTECTION

274. With the enlargement of the Community 1973 has mainly been devoted to studying in depth draft texts on the basis of the common attitudes agreed by the Six at the end of 1972. These texts concern the nature of the whole of the harmonized measures to protect plants from harmful organisms and the fixing of maximum permitted contents of pesticide residues which would be applicable initially to fruit and vegetables.⁴

¹ OJ No L 38 of 11.2.1974.

² OJ No L 270 of 14.12.1970.

³ OJ No L 124 of 10.5.1973.

⁴ OJ No C 117 of 31.12.1973.

6. LEGISLATION ON SEEDS AND SEEDLINGS

275. Community regulations concerning seeds and seedlings which for the most part have been operative since 1966, were also amended and supplemented during the year.

(a) *Amendments to basic Directives*

276. On 11 December 1973¹ the Council adopted a further series of amendments to its basic Directives of 14 June 1966² (beet seed, fodder plant seed, cereal seed and seed potatoes), of 30 June 1969³ (seed of oil and fibre plants) and of 29 September 1970⁴ (vegetable seed and common catalogue of species and varieties).

These amendments were made in the light of several years' practical experience and mainly comprise technical adjustments. Certain criteria have been made more rigorous, i.e. the presence of *Avena fatua* in feed grain seeds must be disclosed, and minimum conditions for cereal seeds have been tightened up. On the other hand some criteria have been made less rigorous, i.e. the maximum hard seed content of *Trifolium Refens* has been raised, official inspections for self-fertilizing species are less rigorous and lastly, as a transitional measure standard seeds of different varieties may be sold mixed, and standards for the germination of vegetable seeds are less rigorous.

The amendments also concern an important point of procedure tending to facilitate matters since in future technical amendments made necessary by developments in science or technology will be adopted in accordance with the Commission/Standing Committee on seeds and seedlings procedure.

(b) *Implementing measures*

277. On 26 March 1973 the Council adopted five new Decisions⁵ on the equivalence of seed and seed potatoes produced or grown in non-Community countries. These Decisions, which were adopted in

¹ OJ No L 356 of 27.12.1973.

² OJ No 125 of 11.7.1966.

³ OJ No L 169 of 10.7.1969.

⁴ OJ No L 225 of 12.10.1970.

⁵ OJ No L 106 of 20.4.1973.

implementation of the basic Directives, are designed to lay down precisely for which species, for which non-Community countries and under what conditions seeds or seedlings directly imported into the Community or simply propagated in non-Community countries to be subsequently re-introduced into the Community, are considered as equivalent to the seeds and seedlings produced in the Community under existing regulations. The right which Member States formerly enjoyed to decide on these equivalences themselves ceases simultaneously.

In this particular case three of these Decisions concern the equivalence of seeds or seedlings from new Member States during the transition period which they enjoy under the Treaty of Accession for the implementation of the various provisions of the Community Directives. The two others supplement the Decisions on equivalence made in 1972 concerning certain species and certain non-Community countries.

278. In addition three new proposals were submitted to the Council in 1973 concerning coffee and tea extracts, natural yeasts and bread. The Council decided to consult the Assembly and the Economics and Social Committee on these.

7. COORDINATION CONCERNING INTERNATIONAL PROJECTS

(a) *Codex alimentarius*

279. As part of the joint FAO/WHO programme on the codex alimentarius, in some cases in liaison with other organizations (Codex/100C) for table olives and ECE/Codex for deep frozen foods and fruit juices, several general and individual product standards are in the process of being worked out or adopted. These closely concern Community sectors of harmonization, i.e. foodstuffs (additives, contaminants and standards for veterinary products (hygiene) and plant protection (residual pesticides).

Every sitting of the working committees of the Commission on the Codex alimentarius and every request for comments sent to Member States involves, as far as the Council is concerned, coordinating the Member States on the basis of a Commission report in conformity with the procedures laid down for this matter by the Council on 23 March and 20 September 1971.

In most cases this work has produced a common attitude on the part of the Member States, notably as regards standards submitted for adoption at the final draft stage.

(b) International convention concerning trade in certain wild species of flora and fauna

280. The Member States of the Commission also took part in the Washington conference held in February/March 1973, which had a mandate to conclude an international convention on exports, imports and transit of certain wild species of flora and fauna.

The coordination achieved in this matter enabled the Member States of the Community to adopt a positive attitude towards the objectives of this convention, i.e. the protection of species which are threatened or are dying out. It enabled a special clause to be adopted authorizing the Member States of the Community who are signatories to this convention to safeguard their obligations under the Treaty of Rome.

(c) Coordination on international fishery meetings

281. Furthermore, during 1973, the delegations from Member States and the representative of the Commission carried out numerous coordination projects within the Council concerning international fishery meetings, the main object of which was to safeguard fish resources in the areas covered by the conventions on the North-West Atlantic Fisheries (ICNAF) and the North-East Atlantic Fisheries (NEAFC).

CHAPTER IV

Energy

A — Energy policy

1. ENERGY IN THE COMMUNITY: SITUATION IN 1972 AND OUTLOOK FOR 1973

282. As in previous years the Commission consulted the Permanent Representatives and national experts and drew up a report on the energy situation in the Community. This document is one of the energy policy measures proposed by the Commission in its 'Initial Guidelines for a Community Energy Policy' which it submitted to the Council in 1968.¹ The conclusions of this report have been considerably affected by the oil crisis which arose in the closing months of 1973.

According to the report, an increase of some 6% was to be expected in the total energy requirement in 1973, in line with the expectation that the general economic recovery in 1972 would continue.

283. The enlargement of the Community was a new factor in the energy market and gave rise to some important changes in the way in which energy requirements are met (see table overleaf).

Mainly because of the oil and natural gas reserves in the North Sea, the enlargement of the Community offers the prospect of reduced dependence on imports; in 1973 internal Community fuel outputs covered 41% of consumption, a figure which the Community of the Six had not reached since 1968.

¹ See 19th Review, paragraph 321.

1973 Total requirements	Community of the Six 1 069 million tce.		Community of the Nine 1 458 million tce.	
	thousands of tce.	%	thousands of tce.	%
Satisfied means :				
solid fuels	190 000	17.8	307 500	21.1
liquid fuels	694 500	65.0	910 000	62.4
natural gas	128 500	12.0	169 300	11.6
primary electricity (of which nuclear)	54 300 (12 120)	5.1 (1.1)	68 200 (24 400)	4.7 (1.7)
other products	1 700	0.1	3 000	0.2

The European energy situation is also affected by current trends in certain energy sectors. Changes may be expected in the near future mainly because of discrepancies between energy supply and demand as regards both quantity and type.

284. Community coal is still handicapped in relation to coal from non-Community countries. The continued rise in costs makes it increasingly difficult for the coal industry to cover its costs and to adapt its production to demand.

285. The changes in the supply pattern for crude oil which began in 1971 continued into 1972. However, the increases in crude oil costs have had little effect on the prices of derived products, mainly because of the slack world market. However, this is only relative and there are signs that some of the slack might be taken up. Imports into the United States from the Eastern hemisphere are growing rapidly, at a rate which could remain higher than that anticipated a year or two ago. These imports are mainly light crude oils from North Africa and low-sulphur products generally derived from these. In certain African and Middle East countries there is less surplus production capacity than previously. In certain cases this is for technical reasons concerning extraction or shipment of crude petroleum, but in other cases it is due to restrictions imposed by the authorities.

Furthermore, the oil companies must be expected to pass on to consumers the growing pressure on their production profit margins.

Thus the market remains vulnerable to possible price increases which could become severe if demand for petroleum increased sharply, or supplies from certain sources were reduced or interrupted.

286. In general, the trend to replace coal by other energy sources will mainly favour natural gas, which is increasing its share of the market rapidly. The following table gives trends in total energy requirements of the Community of the Nine between 1971 and 1973.

	Actual figures 1971	Estimated figures 1972	Forecasts 1973
Solid fuels	25.3	22.2	21.1
Liquid fuels	61.8	62.7	62.4
Natural gas	8.5	10.4	11.6
Primary electricity (of which nuclear)	4.2 (1.2)	4.5 (1.4)	4.7 (1.7)
Other products	0.2	0.2	0.2
TOTAL	100	100	100

2. WORK ON THE DRAFTING OF A COMMUNITY ENERGY POLICY

287. In its 244th meeting on 22 and 23 May 1973, the Council concentrated exclusively on problems related to energy policy. In the light of the memoranda from the Commission dated 13 October 1972 on 'Problems and means of implementing the energy policy for the period 1975-1985' and 'Progress necessary for the energy policy', that of 19 April 1973 on 'Guidelines and priorities for a Community energy policy' and the report of the Committee of Permanent Representatives, the Council held a detailed exchange of views on the Community's energy situation and prospects. It approved the diagnosis which emerges from these documents and emphasized the economic and political importance of the energy problem for the harmonious development of the Community.

288. In accordance with the final declaration adopted by the Heads of State or Government of the Member States of the enlarged

Community, when they met in October 1972 in Paris, the Council emphasized the urgency of drafting a Community energy policy which would guarantee the Community safe and lasting supplies under satisfactory economic conditions. It considered that the guidelines and priorities for such a policy, as proposed by the Commission, constituted in their broad outline a suitable basis for discussion of Community measures to ensure security of supply. It noted with satisfaction the Commission's intention to submit proposals by the end of 1973 to initiate the Community energy policy, taking account of the Council's debates on this matter.

289. The Commission announced that it would submit proposals to the Council on the following points before 31 December 1973: development of the most suitable working relations with energy importing and exporting countries, creation and organization of the Community petroleum market, encouragement of the use of nuclear energy, the future role of coal in Community energy supplies, use and valorization of natural gas, problems resulting from the need to protect the environment when implementing a Community energy policy, the rational use of energy and the development of scientific and technical projects aimed at developing new sources of energy.

290. The Commission submitted a memorandum in the form of a letter dated 3 August 1973 to the Council on 'Initial Implementation of the Guidelines and Priorities for a Community Energy Policy'.

In this memorandum the Commission considered that the Community ought to act immediately and take three lines of action simultaneously which for reasons of policy, common sense and effectiveness should be tackled together. These were relations with energy importing countries, relations with energy exporting countries and the organization of the Community petroleum market. The memorandum was accompanied by six concrete proposals for Council Regulations or Decisions which, in the context of the organization of the Community petroleum market, were aimed at providing adequate information to public authorities on all movements of hydrocarbons, better coordination between the Commission and Member States and the implementation of a common importing and exporting system for hydrocarbons.

The Working Party on Energy was asked to examine this memorandum. This examination is now in progress.

291. In accordance with the decision taken at the Copenhagen Summit held on 14 and 15 December 1973, the Commission submitted

a letter to the Council dated 17 December 1973, containing a proposed Council Decision on the creation of an Energy Committee, a draft Council Regulation on information intended for the compilation of complete energy balance sheets for the Community and a timetable for the work in the energy field.

On the basis of the conclusions reached by a Working Party after examining these three problems, all the delegations agreed in principle at the 271st meeting of the Council on 17 and 18 December 1973 to take note of this timetable and to act as soon as possible on the Commission's proposals which it contained, to keep to the decisions taken by the conference of Heads of State or Government at their meeting in Copenhagen, and also to act on the texts of the draft Decision and Regulation mentioned above. Although they wished to make certain amendments to the former and to specify in the latter that the Commission would submit a proposed revision of this Regulation to the Council before the end of February 1974, which would take action on this without delay, and in any event before 15 March 1974.

B — Specific problems in the different energy sectors

1. COAL

(a) New system of community aid for coking coal and coke for the Community iron and steel industry

292. Following the exchange of views which was held at the 221st meeting of the Council on 18 and 19 December 1972¹ the Commission, pursuant to the provisions of Article 95 of the ECSC Treaty, submitted to the Council for its assent on 26 March 1973 a new draft Decision on the new system of aids. The main changes to the initial system submitted to the Council on 17 October 1972 are to extend Community financing to certain internal deliveries, to re-allocate the Community financing charges following the allocation of ECSC funds, and the enforcement of the provisions relating to non-discrimination.

¹ See 19th Review, paragraph 231.

293. At its 244th meeting on 22 May 1973 the Council examined this new draft Commission Decision, noted the suggestions put forward for its amendment and expressed satisfaction at the progress made towards introducing this aid system. It asked the Commission to submit a draft amended to take account of the progress made and instructed the Permanent Representatives' Committee to pursue its study of this matter.

294. At its 248th meeting on 25/26 June 1973 the Council held an exchange of views on an amended draft Decision submitted by the Commission on 8 June 1973 and at its 252nd meeting on 23/24 July, under Article 95, paragraph 1, of the ECSC Treaty, gave its assent as requested by the Commission on 9 July 1973. Thus on 25 July 1973 the Commission was able to adopt a Decision on coking coals and coke for the Community iron and steel industry¹ which entered into force on 1 August 1973 and was retroactive from 1 January 1973, for a period of six years.

295. This system, which follows on from the two previous Decisions dating from 1967 and 1970², lays down that coal produced in the Community to be used in the form of coke in the Community iron and steel industry's blast furnaces is eligible for government aids to facilitate production and marketing for long term contracts. The production aids, for which governments will fix rates by basin, may vary from year to year according to economic conditions in the different basins. For sales aid, which is restricted to deliveries to regions distant from the producing basin or forming part of intra-Community trade, the Decision fixes a ceiling of 3 u.a. per tonne for deliveries to a works which can be supplied direct by sea and 1.60 u.a. per tonne in all other cases. These rates will be reduced to 2.60 and 1.40 u.a. respectively for the 5th year and 2 and 1 u.a. respectively for the 6th year of the term of the Decision.

296. The Decision sets up Community financing arrangements for sales aids paid in respect of intra-Community trade and for a portion of the contributions made by the member countries not engaged in intra-Community trade, in so far as their production of coking coal covers at least 75 % of their blast furnace requirements. A special fund has been set up for this purpose which is administered by the

¹ OJ No L 259 of 15.9.1973.

² OJ No L 36 of 28.2.1967 and OJ No L 2 of 6.1.1970.

Commission and financed by ECSC contributions, the Member States engaged in intra-Community trade and the iron and steel industry.

297. The Decision allows coal undertakings to align their prices with those which may be applied for coking coal from non-Community countries or coke made from this coal. The Commission may fix guide prices and standard values for coking costs, and criteria for assessing quality differences in coking coal and coke. Furthermore, the Commission will check on the application of the criteria laid down for determining the rate of aids to production and the repercussions of aids on the agreed prices to consumers. The Commission will take care that the effects of this Decision are not prejudicial to the proper functioning of the Common Market, and if necessary it may follow the procedure in Article 95 of the ECSC Treaty and amend certain financial provisions in these regulations.

In a letter dated 30 October 1973 the Commission requested a consultation with the Council, under Article 12 of this Decision, on a draft provision of the Commission (ECSC) Decision implementing it.

At its 265th meeting held on 3 and 7 December 1973 the Council granted the consultation as requested.

(b) Consultation with the Council under Article 5, paragraph 1, of Decision No 3/71/ECSC of the Commission on supplementary financial interventions by Member States in favour of the coal industry in 1972

298. Following the consultation procedure laid down in Article 5, paragraph 1 of Decision No 3/71/ECSC of 22 December 1970, on 27 June 1973 the Commission submitted to the Council a 'supplementary report on financial interventions by Member States in favour of the coal industry in 1972'. It deals with the measures taken by the governments of three countries (Belgium, France and Germany) which were not discussed in the memorandum of July 1972.¹

Whereas at that time it had been estimated that the amount of aids granted under decision 3/71 would be less than 1971 the following table shows that the total amount of aids will in fact be

¹ See 20th Review, paragraph 230.

15.5 % higher and the amount per tonne will exceed the 1971 figures by 25.8 %.

Total direct and indirect aids
(total Community)

(million u.a.)

	1969	1970	1971	1972
Direct subsidies under Decisions 3/65 and 3/71	427.7	332.4	372.0	415.2
Aids for coking coal	74.2	87.4	45.5	73.4
Indirect measures	98.4	84.3	91.9	100.0
TOTAL	600.3	504.1	509.4	588.6
Total aids per tonne produced (u.a.)	3.40	2.96	3.10	3.90

The Working Party on ECSC Questions examined this supplementary report from the Commission first, followed by the Permanent Representatives' Committee, and the Council granted the consultation requested by the Commission at its 257th meeting on 15/16 October 1973.

2. HYDROCARBONS

299. At its 252nd meeting on 24 July 1973¹ the Council formally finally adopted a Directive 'on measures to mitigate the effects of difficulties in the supply of crude oil and petroleum products', the text of which it had adopted in principle at its 244th meeting on 22 May 1973.

Under this Directive the Member States are bound to take all necessary measures by 30 June 1974 at the latest to provide the appropriate authorities with the necessary powers in the event of difficulties arising in the supply of crude oil and petroleum products

¹ OJ No L 228 of 16.8.1973.

which might appreciably reduce the supply of these products and cause severe disruption.

These powers should enable the authorities to draw on emergency stocks in accordance with the Council Directive of 20 December 1968¹ and to distribute these stocks to users; to impose specific or broad restrictions on consumption, depending on the estimated shortage, and to give priority to supplies of petroleum products to certain groups of users and to regulate prices in order to prevent abnormal price rises. Member States are also bound to appoint the bodies to be responsible for implementing these measures and to draw up intervention plans for use in the event of difficulties in the supply of petroleum products.

A special consultation procedure is laid down to coordinate measures taken or planned if difficulties should actually arise.

When the above-mentioned Directive was adopted by the Council the Commission said that it would submit a parallel proposed Directive on natural gas to the Council at a later date.

300. At its 244th meeting on 22 May 1973 the Council also adopted in its essentials a Regulation 'for the support of Community schemes in the hydrocarbons sector', on the basis of a proposed Regulation relating to the application of the regulations for joint undertakings to the authorities in the hydrocarbons industry, submitted by the Commission to the Council.

Under this Regulation the Community will be able to give its support, if necessary, for the setting up of Community schemes concerned with technological development directly connected with prospecting, production, storage and transport in the field of hydrocarbons, which are of vital interest for securing supplies. This support may take the form of Community participation in the financing of these schemes by making a grant of loan guarantees, loans or subsidies repayable under certain conditions from the appropriations made for this purpose in the general budget of the Communities, and taking into account any other Community financial intervention from which the schemes might benefit, in particular intervention from the European Investment Bank. Any scheme emanating from a Member State or any other source, including the Commission, must be sub-

¹ OJ No L 308 of 23.8.1968 and OJ No L 291 of 28.12.1972.

mitted for examination by the Commission which will consult the Member States. The Commission will then forward to the Council, together with its reasoned opinion, a report on the scheme as a whole and a proposal if necessary for the allocation of the support measures and the commitments which the beneficiary will need to undertake in respect of the Community. The Council must take a decision unanimously on the Commission's proposal.

At its 261st meeting on 9 November 1973 the Council formally approved this draft Regulation.

3. SUPPLIES OF NUCLEAR FUELS

301. At its 244th meeting on 22 May 1973 the Council, on the basis of a memorandum from the Commission dated 27 March 1973, adopted a Resolution concerning the supply of nuclear fuels in which it states that it is necessary for the Community industries to provide themselves with a uranium enrichment capacity enabling them to meet as from the beginning of the next decade a substantial and increasing proportion of the Community's requirements, and that a policy should be drawn up as soon as possible to ensure the Community's supplies of enriched uranium. Because of the importance of this matter for the Community and in the interests of industrial development in this sector within the Community, the Council decided in the same Resolution to set up a Standing Committee on Uranium Enrichment, to be composed of representatives from public bodies and the enterprises concerned — to be nominated by the Member States' governments — the chairmanship of which would be assumed by the Commission. The tasks of this committee are to maintain studies of the enriched uranium market up-to-date, taking account of the business and guarantees offered by the different suppliers, to collect data concerning the basic characteristics of the various technologies from the technical and economic viewpoint, to review measures for promoting the development of the industrial capacity which the Community needs and to facilitate coordination between the parties concerned. At the end of October 1973 it will submit a report to the Commission which this body will submit to the Council before 31 December 1973.

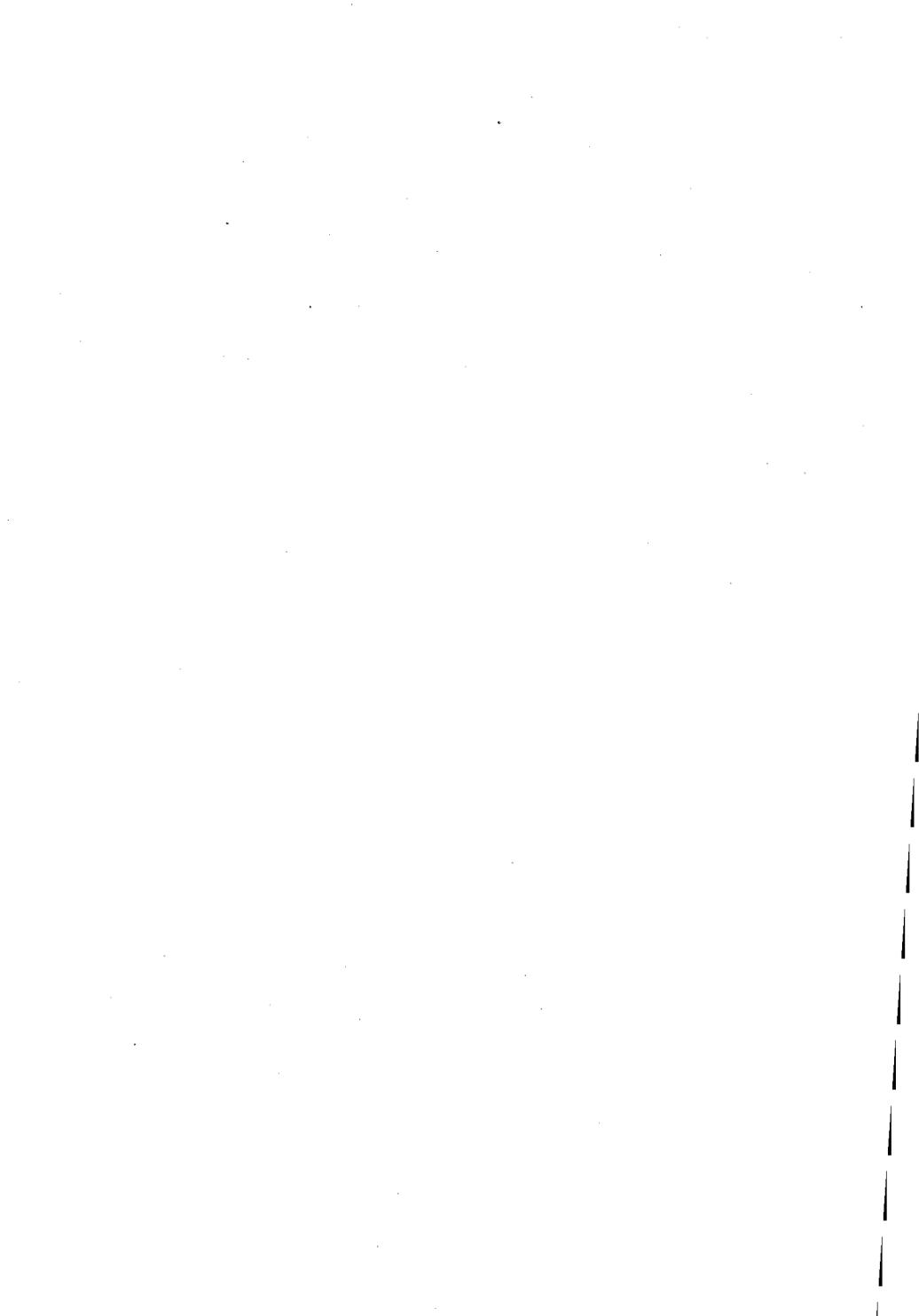
In accordance with this brief the Committee presented its report at the end of October 1973. The Commission submitted proposals to the Council in a form of a letter dated 15 November 1973 on the provision of enriched uranium capacity in Europe.

C — Euratom Supply Agency

302. Following the accession of the new Member States to the Community the Commission submitted to the Council a proposed Decision amending the Statutes of the Euratom Supply Agency.¹ Under the provisions of this proposal the capital of the agency would be increased from 2.4 million u.a. to 3.2 million u.a., and would be distributed among the Member States as follows: — France, Germany, Italy and United Kingdom 21 % each, Belgium and Netherlands 6 % each, Denmark 3 % and Ireland 1 %. The Advisory Committee for the Supply Agency would in future comprise thirty-three members (instead of twenty-four) whose seats would be divided between nationals of the Member States as follows: France, Germany, Italy and United Kingdom six members each, Belgium and The Netherlands three members each, Denmark two and Ireland one member. The original Member States' share of the capital and the number of their seats on the advisory committee would remain unchanged.

At its 232nd meeting the Council adopted this proposed Decision.

¹ OJ No 27 of 6.12.1958.



CHAPTER V

Research

A — Science and technology

1. DEVELOPMENT OF A COMMON POLICY IN THE COMMUNITY

303. After a lengthy examination of the four draft Resolutions submitted by the Commission in the field of science and technology, on 14 January 1974 the Council adopted the text of these as prepared by the Permanent Representatives' Committee. These four Resolutions mark an important stage in the development of a common policy for science and technology. They satisfy the desire expressed by the Heads of State or Government when they met in Paris on 19/20 October 1972 to see the Community institutions adopt a programme of action before 1 January 1974 together with a precise timetable and appropriate measures. They also meet their request to the Community on 14/15 December 1973 in Copenhagen for more active joint industrial, scientific and technological cooperation in all fields.

304. The first of these Resolutions concerns the coordination of national policies and the definition of projects of interest to the Community in the field of science and technology. It provides for a Scientific and Technical Research Committee (CREST) to be set up, composed of representatives of Member States and the Commission to assist the Commission and the Council in performing the following tasks: comparison and examination of Member States' national policies in this field, and particularly their potential, plans, programmes, projects, budgets, measures and methods; identification, analysis and comparison of the Member States' objectives in order

to determine the common goals to be adopted; coordination of national policies; definition of projects of interest to the Community; selection of appropriate ways and means for implementing these projects, and consultations on cooperation between Member States with non-Member States or within the framework of international organizations.

To this end the Member States undertook to supply the Commission with the necessary information where available.

In adopting this Resolution the Council approved a work programme and timetable for the 1974-1976 phase. The Commission stated its intention, in the light of this first phase and particularly of the examination of the degree of constraint to be applied to the coordination measures, to submit to the Council any proposals necessary for implementing a second phase starting in 1977.

305. The second Resolution concerns the participation of the European Communities in the European Science Foundation which is being set up by the Research Councils and Academies of the European States, including the nine members of the European Communities.

306. In its third Resolution, which concerns an initial action programme of the European Communities in the field of science and technology, the Council states that it welcomes with interest the Commission's intention to submit to it as soon as possible concrete proposals for action based on the outline programmes already submitted which are designed to support the sectoral policies of the Communities. The Council undertakes to act on these proposals within a period of nine months from the date of their submission. The Council emphasizes that, with the exception of military or industrial matters classified as secret, no sphere of action in the field of science and technology should be excluded *a priori*, and that the various research programmes currently being carried out and those to be undertaken in the future should be gradually integrated in the development of the common policy.

307. The fourth Resolution establishes a programme of action on research as an instrument of forecasting, assessment and methodology in the European Communities. The first experimental programme will be of one year's duration and its cost is estimated at 500 000 u.a.

2. FINANCIAL AID FOR TECHNICAL RESEARCH IN COAL MINING

308. The encourage technical and economic research into improved methods of production, upgrading and utilization of coal in the Community, the Council at its 249th meeting held on 28 June 1973 gave its assent as requested by the Commission under Article 55, paragraph 2 (c) of the Treaty establishing the European Coal and Steel Community, to the allocation of funds from the levies laid down in Article 50 of the Treaty to financial aids for research, to cover the expenses of disseminating the results of this research and expenses connected with the projects described in the table on page 136.

B — Research programme and budgets

1. EUROPEAN COMMUNITIES MEDIUM-TERM RESEARCH AND TRAINING PROGRAMME

309. During its meeting on 18 January 1973 the Council made a further attempt to reduce the divergences of views on the Commission's proposals for the Community medium-term research and training programme, and at its meeting on 5 February 1973 managed to reach agreement in principle on the main points of the Commission's proposals. On the basis of this agreement on principle the Council drew up a series of EAEC and EEC research and training programmes at its meetings on 14 May and 18 June 1973.

The table on page 137 shows the finance and staff allocated for the various direct and indirect actions, nuclear and non-nuclear, in these programmes.

310. Once agreement had been reached on these different research programmes the Council, by its Resolutions of 9 November and 10 December 1973, took a certain number of decisions on their management.

It abolished the advisory committees for rapid reactors, heavy water reactors and high temperature reactors.

It retained the existing committees for plutonium and trans-plutoniums, nuclear measurements and standards (CNMB), reactor safety, information analysis office, fusion and plasma physics and biology and health protection.

RESEARCH PROJECTS	AID IN u.a. (includes cost of disseminating the results and connected expenses)
<p><i>Coke Production</i></p> <ul style="list-style-type: none"> — Use of preheated coking coal — Production of small coke from brown coal 	1 166 435
<p><i>Increased production and efficiency in mining enterprises</i></p> <ul style="list-style-type: none"> — Machinery and methods for level and sloping stratifications — Improving the face equipment and its applications — Automatic control of winning machines — Maximum degree of automation in face operations — Coal face extremities, T-junctions, roadways — Integration of face extremities — Integrated system for hydrostatically operated propulsion of ploughs and conveyors — Improvement of reliability of machinery and equipment with special reference to dynamics — Energy absorbtive capacity of scrapers under heavy load 	2 079 170
<p><i>Integral mechanization of gate road drivage</i></p> <ul style="list-style-type: none"> — Complete mechanization of gate road drivage — Development of heading/ripping systems and completely mechanized support for heading — Roadway repair equipment 	961 946
<p><i>Physical and chemical upgrading of coal and coke</i></p>	1 872 700
TOTAL	6 080 251

**EUROPEAN COMMUNITIES MEDIUM-TERM RESEARCH
AND TRAINING PROGRAMME**

Headings	Appropriation in million u.a.	Staff
I - Direct actions (JRC)		
A. Nuclear projects		
1. Joint Programmes		
Waste processing and storage	6.900	75
— Plutonium and transplutonic elements	13.000	126
— Materials science	8.500	89
— Reactor safety	21.100	232
— Applied data-processing	6.050	51
— Information analysis office	5.100	51
— Central Bureau for nuclear measurements (CBNM)	20.350	170
— Technical assistance to power plant operators	6.100	60
— Training	1.450	15
— Control and administration of fissile materials	—	—
— Research under contract	1.850	17
— Direction and coordination	8.100	79
— Use of Ispra I reactor	2.200	25
— Basic research on materials	5.100	50
— Application of nuclear energy for purposes other than electricity generation (hydrogen production)	6.700	70
— Technical assessments in support of Commission activities	2.000	20
TOTAL Joint Programmes	114.500	1 130
2. Complementary programmes		
— Plutonium and transplutonic elements	8.650	84
— Supervision and management of fissile materials	5.400	57
— HFR reactor operation	23.000	95
TOTAL Complementary Programmes	37.050	236
TOTAL Nuclear Projects	151.550	1 366

Headings	Appropriation in million u.a.	Staff
B. Non-nuclear projects (Joint Programmes) — Standards and reference substances — Environmental protection — Remote sensing of earth resources — New technologies (use of solar energy and recycling of raw material)	} 5.400 } 0.800 } 13.000 } 2.850 1.050 3.050	} 62 } 9 } 142 } 30 10 30
TOTAL Nuclear Projects	26.150	283
TOTAL DIRECT NUCLEAR AND NON-NUCLEAR PROGRAMMES	177.700	1 649
<hr/>		
II - Indirect actions		
A. Nuclear projects		
1. <i>Adaptation of existing five-year programmes :</i>		
— Biology and health physics	1.551	—
— Fusion and plasma physics	9.696	38
2. <i>Materials testing reactors</i>	0.215	2
3. <i>Instruction and training</i>	4.500	8
TOTAL Nuclear Projects	15.962	48
<hr/>		
B. Non-nuclear projects		
1. <i>Reference substances and methods</i>	1.900	6
2. <i>Environmental protection</i>	6.300	4
TOTAL Non-nuclear Projects	8.200	10
TOTAL INDIRECT PROJECTS	24.162	58
TOTAL DIRECT AND INDIRECT	201.862	1 707

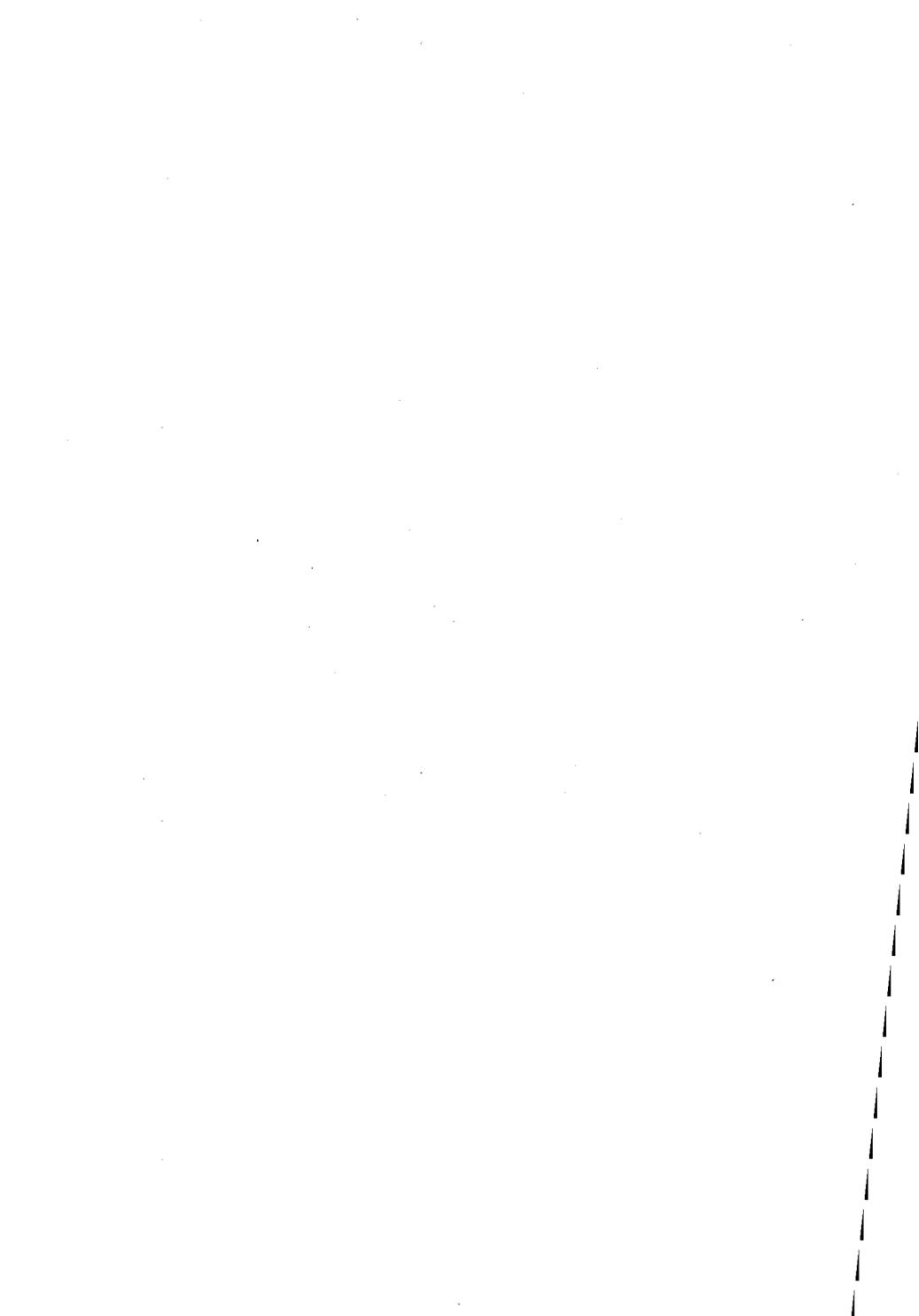
The High Flux Reactors Committee was made responsible for managing the HFR reactor and the Condensed State Physics Committee was made responsible for materials science.

Six new committees were set up for the treatment and storage of waste, technical support for owners of nuclear power stations, applied data processing, hydrogen production, standards and reference substances (direct and indirect actions) and the environment.

311. Furthermore, at its meeting on 17/18 December 1973 the Council adopted a new amendment to the programme concerning fusion and plasma physics, increasing the allocation to this programme by 14 904 million u.a.

2. BUDGETS

312. The decisions on these programmes were translated into budgetary terms on 21 September 1973 when Amending Budget No 3 was drawn up on income and expenditure for research and investment projects for the 1973 business year [nearly 210 million u.a. in new payments, 73 million u.a. in budgetary commitments and 75 million u.a. in payment appropriations] and on 10 December 1973 for the budget for the 1974 financial year [77.5 million u.a. in budgetary commitments and 84 million u.a. in payment appropriations].



CHAPTER VI

External relations

A — Multilateral and bilateral relations

1. MULTILATERAL RELATIONS

(a) *GATT multilateral tariff negotiations*

313. The Paris Summit confirmed that the Community attaches considerable importance to the GATT multilateral negotiations and instructed the Community Institutions to define the Community's overall attitude by 1 July 1973 at the latest on this subject. In accordance with this decision, on a proposal from the Commission, the Council approved this overall approach at its meeting on 25/26 June 1973.

314. This overall approach, which has been made public, consists of an introductory summary of the subject matter and five chapters.

The introductory summary gives the terms of the 1972 Paris Summit decision, the previous decision taken by the Council in December 1971 and the Joint Declaration made by the Community and the United States in February 1972, in which the Community displayed its political willingness before its enlargement to enter into wide-ranging trade negotiations with its partners.

It goes on to stress that the Community, by the very fact of its institution and development, has promoted the balanced expansion of international trade and from the outset has played an active part in the various tariff negotiations (Dillon Round and Kennedy Round), thus making a substantial contribution to the growth of world trade. The preamble then speaks of the problem of the relationship between

trade negotiations and the reform of the international monetary system in the following terms.

'Quite obviously, the policy of liberalizing world trade cannot be carried out successfully unless parallel efforts are made to set up a monetary system which shields the world economy from the shocks and imbalances which have recently occurred.

'The trade negotiations therefore imply that prospects exist for the establishment of a fair and durable monetary order, based on the principles listed in paragraph 4 of the Paris communiqué.

'This consideration should be borne in mind by the Contracting Parties both at the beginning of and during the negotiations. The Community, for its part, will assess the progress of these negotiations in the light of the progress made in the monetary field. It will take such progress into account when taking a decision on the results of the negotiations'.

Furthermore, the trade negotiations cannot be considered as an appropriate method of correcting imbalances in the balance of payments of any of the Parties, especially by the adoption of new safeguard rules.

315. The introductory summary concludes by stressing that within the limits of its own legislation the Community is resolved to take part in the forthcoming negotiations with an open mind, in the interests of the harmonious growth of world trade, but on the understanding from the outset that neither those elements basic to its unity (i.e. customs union, the common agricultural policy, and the common trade policy) nor the basic objectives for its future development (in particular economic and monetary union and the correction of regional imbalances) are open to negotiation.

316. The first chapter gives the Community's views on the general objectives of the negotiations. It sees these as the further relaxation of international trade restrictions on the basis of mutual advantage and commitment which will be generally reciprocal, allowing the developing countries a larger share in the growth of world trade by reducing the imbalance between industrialized countries and the developing countries. The Community regards the concept of reciprocity as the fundamental principle of the negotiations which will require each industrialized country to shoulder its fair share of the burden. The Community also confirms the importance which it

attaches to the constraints laid down in the General Agreement. It will make an active contribution to the efforts to make concessions in favour of the developing countries without prejudice to the preferences which must be enjoyed by the countries which have special relations with the Community, and it considers that appropriate solutions based on the concept of reciprocity ought to be found for developing trade with all countries, including those which will not be taking part in the negotiations.

317. Chapter 2 concerns the duties on industrial products. The new negotiations should lead to a significant lowering of customs tariffs. The formula which will be finally adopted for lowering these tariffs must take into account the considerable differences which exist in the customs tariffs applied by the various countries. As Item I of this document shows, the Community tariff is very uniform and very low. Other countries such as the United States impose no customs duty on many products but very high rates of duty on many others. The Community principle is that the highest rates of duty call for the greatest reductions. It therefore proposed that a threshold should be set for tariffs, below which no reduction in tariffs would be required. This would have the particular advantage of ensuring that the developing countries continue to enjoy the generalized preferences which the Community and Japan grant them.

318. Chapter 3 deals with trade in agricultural products. Previous GATT negotiations have mainly been concerned with industrial products. The new negotiations will also deal with agricultural products. The negotiations in this field will be much more complex than those for industrial products because, as has been stressed above, the protective measures for agricultural products vary considerably from one country to another. The Community has let it be clearly known that the principles and mechanisms of its common agricultural policy are not a matter for negotiation. However, the Community is prepared to discuss the practical aspects of applying this policy on a basis of reciprocity. The Community's objective in these negotiations is the expansion of trade in stable world markets in accordance with existing agricultural policies. It hopes that the negotiations will lead to the conclusion of multilateral agreements on products such as wheat, flour and feed grains, rice, sugar and certain homogeneous milk products. Such agreements would be concerned with minimum and maximum price systems, storage measures and food aid. Where agreements were concluded the procedures for implementing the common agricultural policy would naturally be amended as necessary.

319. Chapter 4 deals with non-tariff barriers. In the new multilateral negotiations a concerted effort ought to be made to remove certain non-tariff barriers to trade. The Community considers that during the new negotiations general principles or rules of good conduct applicable in this field ought to be worked out.

For certain specific measures which are applied by only one or two countries *ad hoc* solutions may be found. The Community will specify the non-tariff barriers which it wishes to see dealt with in the negotiations and in return is prepared to review some of the measures which the Member States apply.

320. Chapter 5 deals with the developing countries. The new multilateral negotiations should in no way weaken the position of the developing countries. On the contrary, the Community and the other industrialized countries are already committed to take particular account in these negotiations of the interests of the developing countries. In addition to the world-wide agreements on agricultural products described above, measures relating to products of particular interest to the developing countries should also be considered so that they can maintain or increase their export earnings. The Community hopes in this way to be in a position to improve the system of generalized preferences applied to exports of industrial products from the developing countries and to include processed agricultural products.

321. Chapter 6 deals with the safeguard clause provided for in Article XIX of the GATT. As tariff and non-tariff barriers are progressively reduced or removed countries may have increasing need of safeguard clauses to meet purely temporary difficulties arising from a wave of imports of certain specific products. The Community considers that the present provisions of Article XIX of the GATT concerning safeguards constitute a good basis and should be maintained. However, it is possible that certain countries may desire Article XIX to be supplemented so as to make it more effective. Moreover the Community wishes to start negotiations on this, but considers that whatever amendments are operated must neither result in new restrictive measure nor have the effect of merely making the system more feasible by restricting entitlement to compensation or redress unless the conditions governing the applications are at the same time clearly laid down and made subject to strict international control.

322. On the basis of this overall approach the Community took an active part in the meeting of ministers in Tokyo in September 1973

when negotiations began. The essential object of this meeting was to adopt the 'Tokyo Declaration', the aim of which was to define the objectives of the negotiations by joint agreement among all the participants and to establish procedures, mainly by setting up a committee to handle the trade negotiations as they progressed.

323. The Council held a meeting in Tokyo on 11 and 12 September 1973 following a preparatory meeting of senior officials to determine the Community's attitude, on the basis of the overall approach, on those items of the draft Tokyo declaration which were still open, in the form in which it had been submitted to the conference by the GATT Preparatory Committee, and also on certain other questions in connection with the multilateral negotiations on which the Community needed to adopt an attitude.

In the draft declaration which had been submitted to the GATT Conference of Ministers by the Preparatory Committee views differed on two points, namely the position of the least developed countries in relation to the other developing countries, and the connection between the multilateral trade negotiations and monetary problems.

This connection was naturally the focus of the deliberations of the Council and the Conference of Ministers.

324. The Conference of Ministers finally agreed on a form of words which all participants were able to regard as a satisfactory compromise between the different viewpoints. Essentially it embodies the Community's basic thinking that removal of trade restrictions must be accompanied by an effort to keep the situation under control and to set up a lasting and effective monetary system. It also takes account of certain attitudes, in particular that of the American delegation, in recognizing that the new phase in removing trade restrictions should help the monetary system to work smoothly, and the developing countries' attitude by specifying that actions on the monetary and trade fronts will take account of the special nature of these countries' economies and problems.

325. The Preparatory Committee left open the matter of the position of the least developed countries among the other developing countries in view of the divergent viewpoints among the developing countries themselves. In Tokyo the Council agreed that the Community should adopt an open and neutral attitude on this matter while waiting for the developing countries to work out some compromise solution. Finally those delegations from the developing countries which were

opposed to special treatment in favour of the least developed countries were persuaded to accept a text which largely reflected the attitude of this group of countries.

326. In conclusion it may be said that the overall approach adopted by the Community well before the Tokyo Conference and the coordination which the Council provided in Tokyo meant that the Commission could see in the Tokyo declaration the essence of the principles on which its overall approach is based. This was due to the joint attitude which it had adopted and the willingness to compromise which it displayed, in common with the other participants at the Tokyo meeting.

327. The first meeting of the Trade Negotiations Committee set up by the Tokyo Declaration took place in Geneva in October 1973. The Community took an active part, being represented by the Commission and delegations from the Member States.

(b) Re-negotiations under Article XXIV/6 of the GATT

328. Following the enlargement of the Community and the alignment of the customs tariffs of the three new Member States (Denmark, Ireland and United Kingdom) with the Common Customs Tariff, the Council, at its meeting on 18/19 December 1972, authorized the Commission to begin re-negotiations under Article XXIV/6 of the GATT with the contracting parties concerned.

The main feature of the Community's offer, which was reached on this occasion by the Council, was to extend the concessions at present consolidated in lists XL and XLa of the EEC and the ECSC respectively to the customs tariff of the enlarged Community. This proposal was designed as a preparatory step to the 'Determination of Compensation' in accordance with Article XXIV/6 of the GATT.

According to the report made by the Council at the time, this offer from the Community should have made it possible to meet the claims which the various negotiating parties could have made under Article XXIV/6. The first stage of negotiations which took place in Geneva in the first half of 1973 revealed that this was not the case as regards some of the parties.

329. Consequently the Commission, which had kept the Council regularly informed on the progress of the negotiations under Article

XXIV/6, informed this body at its meeting on 26 June 1973 that it considered that the Community was obliged to make a further offer.

After detailed discussions, at its meetings in November and December 1973 the Council prepared this further offer containing a number of new concessions in the industrial and agricultural sectors, which are not however detrimental to the countries associated with the Community.

In the Council's opinion these new concessions offer sufficient compensations to justify terminating the re-negotiations under Article 24/6 for all the non-Community countries concerned and for all products.

(c) International Arrangement on Trade in Textiles

330. Since 1962 international trade in cotton textiles has been governed by a long-term agreement concluded under the GATT to which almost all the importing and exporting countries subscribe. In view of the trends in the textiles market in general and the structural changes which had occurred in recent years in this important sector of world trade, a move was made under the GATT not simply to renew this agreement beyond 1973 but to replace it by a new and more far-reaching multilateral arrangement which would cover more products and strengthen the rules of international trade.

331. The Community, conscious of its rôle as a major trading partner in these products, took an active part in the negotiations held in Geneva to work out this new arrangement. Among the guidelines laid down by the Council on this matter during the period under review particular mention should be made of the decision on principle taken on 10/11 July 1973 in which the Community stated that it was prepared to begin the actual negotiations, and the decision of 3/4 December 1973 containing the Directives which enabled the Commission as a negotiator to make a real contribution to the success of these negotiations. The representatives of some 50 countries reached agreement on 20 December 1973 on a draft 'all fibres' arrangement, which was largely in line with the basic Community guidelines.

332. The main object of the new arrangement, which applies to cotton, wool, artificial and synthetic fibre textiles, is to expand trade

and progressively to remove trade barriers. The arrangement lays down that quantity restrictions which are not removed during the first year of the arrangement, which remains in force for four years, should be brought into line with the provisions of this arrangement, either by incorporating them in a programme to liberalize trade over a period of 3 years, including them in bilateral agreements which may be negotiated between importing and exporting countries, always in conformity with the provisions laid down for this, or by justifying them if there is a threat of or actual disruption as defined by the arrangement.

It should also be noted that there will be a standing watchdog committee consisting of a chairman and 8 members who will have the particular task of administering the arrangement and of making recommendations to governments on how the common objectives are to be obtained.

(d) Multilateral Agreements on Commodities

333. The situation on the international markets for raw materials in 1973, which for many products was one of shortage and successive price increases, had repercussions to varying degrees on certain international agreements, including the most important ones, which had been concluded at a time when supplies were plentiful and prices low.

The reversal of this situation led to a suspension of the price mechanism clauses in those agreements concerned once the market prices exceeded the ceilings laid down in the agreements, but it also made the states with agreements subject to renegotiation review their position as regards the working of existing international agreements, whether they were producers or consumers. However, since it was impossible during the period under review to make exact predictions concerning these markets several governments adopted a 'wait and see' attitude.

(i) International Coffee Agreement

334. In view of the rise in market prices to 55 cents US/1b average of the four categories of coffee laid down by the 'selectivity' system (in December 1972) as compared with 45 cents US/1b in January of the same year, the International Coffee Council was unable, at a meeting held in December 1972, to allocate export quotas for the

period up to the end of the coffee year, i.e. 30 September 1973. This marked the end of the effective control of the coffee supply on the world market by means of the Agreement. Under these circumstances the Council was also unable to lay down provisions for renegotiating the Agreement, which was also due to expire on 30 September 1973.

At its next meeting in April 1973 the International Coffee Council therefore confined itself to adopting a resolution extending the 1968 Agreement until 30 September 1975, but without re-enacting the economic measures for controlling the market (the quota system, prices, import control, stocks etc). Thus the International Coffee organization will be able to act as the framework for the negotiation of a new Agreement with new economic measures. In amending the 1968 Agreement the International Coffee Council also adopted a new measure on the participation of the European Economic Community or other inter-governmental organizations with comparable responsibilities for negotiating, concluding and implementing international agreements. These new measures are similar to those of the 1972 International Cocoa Agreement.¹

It should also be mentioned in this connection that on 18 August 1972 the Council of the European Communities had authorized the Commission to negotiate conditions for the Community to become a party to the 1968 International Coffee Agreement and also to conduct negotiations to extend or renew this Agreement.

(ii) International Cocoa Agreement

335. The International Cocoa Agreement resulted from the United Nations Negotiating Conference in 1972, having obtained sufficient signatures by the deadline of 15 January 1973 and sufficient instruments of approval or declarations of provisional application by 30 June 1973, and entered into force provisionally on this date. The importing countries subscribing to the Agreement include all the Member States of the European Community, and the Community itself, taking advantage of Article 4 of the Agreement,² also stated that it would implement the Agreement provisionally and issued a declaration of its intention to approve it. These Decisions were

¹ See 20th Review, paragraph 294.

² See 20th Review, paragraph 285.

adopted by the Council of the European Communities on 25/26 June 1973. It should be noted that the United States, which is a major consumer country, did not sign the Agreement.

336. The International Cocoa Council held its first meeting on 30 July-10 August 1973 in Geneva. It adopted economic regulations and regulations on the control system, and also the internal regulations for administering the organization. As regards economic matters, the International Cocoa Council fixed the quotas for the 1973/74 marketing year. However, in view of the market prices, which far exceeded the price level fixed by the Agreement (minimum price of 23 cents US/1b and maximum of 32 cents US/1b), the quotas which in theory should come into force on 1 October 1973 cannot be expected to apply to this marketing year.

Furthermore, the International Cocoa Council was obliged to make a statement concerning a possible amendment to the price levels fixed by the Agreement, following alterations to the exchange rate of the United States dollar. However, it did not take any decision on the matter but instructed its executive committee to examine this question and to submit a report on which to make a decision at its next meeting, which will probably be held in Spring 1974.

The Council chose London as the headquarters of the International Cocoa organization.

(iii) International Sugar Agreement

337. As the 1968 International Sugar Agreement was due to expire on 31 December 1973 the Secretary General of UNCTAD called a Sugar Conference to negotiate a new Agreement to enter into force on 1 January 1974. This conference was held in Geneva from 7-30 May and 10 September-13 October 1973. The Community, which is not a member of the 1968 Sugar Agreement, took part in this conference under the provisions made by the Council on 16/17 April 1973.

When the Conference opened, the Community explained its thinking on this matter and suggested that at the present stage the 1968 Agreement should merely be extended and the text brought up to date where necessary in the light of amendments made to it since the 1968 negotiations. The Council of the European Communities considered that the situation in 1973 contained too many elements of uncertainty for the Conference to undertake negotiations

and adopt mechanisms which might not be suited to future world trends in production and consumption. As for the future, the sugar policy of certain major sugar trading countries such as the United States, the USSR and the Community itself represented further uncertainties. Within a short time the Community itself would have to declare its internal policy and its relations with the developing countries which exported sugar listed in Protocol No 22 of the Act of Accession (the AASM, the Independent Commonwealth Developing Countries in Africa, the Indian Ocean, the Pacific Ocean and the Antilles).

At its meeting on 16/17 April 1973 the Council agreed to adopt Directives on the basis of a memorandum from the Commission on the Community's participation in the second part of the Conference (September/October 1973).

338. On 13 July 1973 the Commission submitted a memorandum to the Council on future Community sugar policy, the importation of sugar from the countries listed in Protocol No 22 and the Community's position regarding the second part of the Conference.

The Council began its examination of this memorandum immediately while at the same time following the proceedings of the Conference with considerable interest. However, it was unable to complete its work on the Commission's document before these negotiations were concluded, and was therefore not in a position to issue new Directives on these negotiations to the Community delegation. However, the Conference did not manage to devise a new mechanism for controlling the market and confined itself to adopting the text of 'a 1973 International Sugar Agreement', containing only administrative provisions designed to form a framework for the establishment of new economic provisions.

339. Subsequently, on 5 December 1973 the Commission submitted a memorandum to the Council recommending it to agree that the EEC should subscribe to this new Agreement.

The Council gave this memorandum on initial examination at its meeting on 17/18 December 1973 but was unable to reach unanimous agreement on the approval of the Commission's recommendation. It therefore agreed that the Community should inform the International Sugar Agreement authorities that it was not in a position to sign this agreement at the present time but that it was studying the possibility of doing so at a later date.

(iv) Cereals

340. Because of the enlargement of the EEC on 1 January 1973 the rights and obligations arising from the 1971 International Wheat Agreement had to be amended in respect of the three new Member States and the Community itself.

For matters relating to the Convention on food aid reference should be made to the relevant section of this Review which deals more specifically with this matter.

On the basis of proposals from the Commission the Council examined the amendments to the Convention on Trade in Wheat which had to be envisaged, in accordance with Article 27, paragraph 6 of the Convention.¹

341. The Community's conclusions on the notifications from countries to the Agreement authorities and on membership of various committees were accepted without difficulty by the International Wheat Council.

It was accepted that the notifications made by Denmark, Ireland and the United Kingdom concerning wheat transactions should be included with those of the Community as from 1 January 1973. Regarding representation on the Executive Committee and Consultative Sub-Committee on the market situation, it was accepted that the United Kingdom delegation, which was a member of these Committees, should withdraw by reason of the fact that the Community delegation represents all the Member States on these Committees.

342. On the other hand a certain number of problems arose concerning contributions to the budget of the Agreement and voting procedures. As from 1 January 1973 the Community was to be responsible

¹ This paragraph lays down that:

'Any member which becomes a Member State of the European Economic Community during the period of validity of this Convention must inform the (International Wheat) Council which shall examine the matter within 30 days in order to negotiate, in agreement with the member concerned and the Community, the amendments which must be made to their respective rights and obligations arising from the present Convention. The Council is empowered under such circumstances to recommend an amendment (to the present Convention)'.

for paying the contributions of the three new Members from its own resources. Since the financial liability should normally correspond to the number of votes, the transference to the Community of the votes held by the three new Members would have meant that the Community held more than one-third of all the votes held by the importing countries as a whole, which contravenes the unwritten rule according to which one member may not have the right of veto in one body or another when a two-thirds majority is required.

The arrangement finally adopted gives the enlarged Community the votes of the three new Members, after the votes in proportion to the amount of intra-Community trade have been deducted¹ and also the votes held by the United Kingdom by virtue of the imports originating from its dependent territories² and reallocates the votes thus made available to the other members of the Convention in proportion.

As a result of this arrangement and the admission of other countries to the Convention, the enlarged Community obtained 314 votes out of the 1 000 total votes and its financial contribution was calculated accordingly.

(v) Olive Oil

343. The International Olive Oil Agreement, which had been extended several times, most recently by the Protocol of 7 March 1969, expired on 31 December 1973. In view of this, and in accordance with the deliberations of the International Olive Oil Council (IOOC) — which is the body responsible for administering the agreement — the UNCTAD Secretary-General called a conference of the United Nations in Geneva on 19-23 March 1973 in order to obtain a further extension, with certain amendments, of the existing agreement.

It should be stated that the procedure for extending the agreement had been the subject of a resolution which was adopted unanimously by the IOOC on 24 November 1972. It had preferred this procedure to that for renewing the agreement since it allowed

¹ The votes were originally allocated on the basis of the amount of trade conducted by each member on the world wheat market.

² The United Kingdom had been given 12 votes to represent the interests of its dependent territories. It should be recalled that the Netherlands has one vote for the interests of the Antilles and Surinam.

the agreement to be amended and modified as necessary without making any fundamental changes. The task was therefore to make appropriate amendments, to effect changes which were required either because of the possibility that the European Economic Community might be parties to the Agreement or in order to bring certain provisions up to date.

344. As regards the participation of the Community in the Conference,¹ the Commission, in conformity with the decision of the Council of 17 October 1972, held negotiations on problems related to the Community's competence. Delegations from the Member States and the Commission, meeting in Special Committee as laid down in Article 113, examined the questions which these negotiations raised for the Community. An agreed viewpoint emerged on these various items and the close coordination which was a feature of all the proceedings of the Conference also made it possible to arrive at agreed joint positions on a certain number of other questions.

345. At the close of the Conference on 23 March 1973 it adopted a Protocol extending the Agreement for a further period of five years. Although this had been signed by a sufficient number of countries this Protocol could not be brought into force on 31 December 1973, since not all the signatory countries had completed their constitutional procedure for its ratification by this date. The 1963 agreement therefore remained in force for a maximum period of 12 months, i.e. until 31 December 1974, pending the entry into force of the Protocol of 23 March 1973.

The Community, which was not a party to the Agreement and which therefore could not sign it, must follow the admission procedure, for which there is no fixed period. On 31 December 1973 studies on the future inclusion of the Community in this Protocol had not been completed.

¹ It should be noted that in spite of the severity of certain restrictions on the export of olive oil imposed by the Spanish Government which distorted the traditional pattern of imports of this product into the Community, the latter body participated in the Conference in an effort to safeguard international cooperation in this field, even though it considered that the Spanish measures were incompatible with the Agreement.

(e) *Participation of the Community in the Conference on safety and cooperation in Europe*

346. The Paris summit had agreed that the Community and Member States would make a coordinated and constructive contribution to the conference on safety and cooperation in Europe.

Thirty-two European countries, including all the Member States and the Community, and also the United States and Canada, took part in this conference. The first session was held in Helsinki and closed in June 1973, and the second session opened in Geneva in Autumn 1973. Apart from political matters as such (concerning safety in Europe and cooperation in humanitarian and other fields) the Conference also deals with cooperation in the fields of economics, science and technology and the environment. This means for example that a sub-committee examines a series of problems concerning trade, and another deals with problems relating to the protection and improvement of the environment.

347. In accordance with the directives from the Summit Conference, the broad lines of the attitude to be taken by the Member States and their spokesmen in Geneva were laid down in March 1973 by the Council as regards matters concerning the Community's powers, as in the case of trade policy for example.

Furthermore, Commission Representatives took part in the proceedings of the second committee (economic matters) during the second session, and expressed the Community's point of view as far as the Community's powers and procedures required this. Delegations from the Member States liaise regularly in Geneva with the Commission.

(f) *Coordination of the viewpoint of the Nine within the OECD*

348. During 1973 meetings between the Member States' delegations and the Commission Representatives were held before most of the meetings of the various OECD committees and working parties in order to examine and coordinate beforehand their attitude on the items on the agenda for these meetings. This was done before the meetings of the Agricultural Committee — and in particular before the 48th meeting of this Committee held in Paris at ministerial level on 11 and 12 April 1973 — as well as before the meetings of the Trade Committee and Environment Committee.

The object of the 48th meeting of the OECD Agricultural Committee was mainly to enable the ministers to hold a broad exchange of views on current agricultural problems and on the medium and long term prospects. The main problems discussed were the instability of agricultural markets, price increases in numerous feedingstuffs, the outlook for the forthcoming multilateral trade negotiations and the problems raised by the agricultural and food situation in the developing countries.

2. REGIONAL AND BILATERAL RELATIONS

(a) Relations with the United States

349. The Council's main concern was to prepare the declaration of principle between the United States and the European Community and its Member States. This declaration is to be solemnly approved during the visit of the President of the United States to Europe planned for the beginning of 1974. This declaration of principle goes beyond Community affairs and includes the whole field of political relations between the United States and Europe. This is why it is being dealt with as a point of political cooperation.

However, there is close collaboration on the Community aspects between the Community departments, the Commission and the Permanent Representatives Committee also being closely associated with this work. The Permanent Representatives Committee has held several meetings on the Community aspects of this declaration. Furthermore, the Commission takes part in the negotiatory meetings which the Policy Committee holds with an American delegation.

(b) Yugoslavia

350. A new Trade Agreement replacing that of 19 March 1970 was signed between the Community and Yugoslavia and entered into force on 1 September 1973. The aim of this new Agreement, which is valid for five years, is to consolidate and extend economic and trade relations between the two parties, having regard to their respective development and to encourage the development of economic and trade cooperation on mutually advantageous bases. To this end the Agreement contains some material improvements on the previous Agreement regarding specific provisions and the role of the Joint Committee, particularly on research into ways and means of

encouraging this economic and trade cooperation to promote the development of trade. It also lays down that the two parties can develop economic cooperation as a complement to trade in fields of mutual interest and according to developments in the economic policies of the European Economic Community.

Among the specific provisions of this Agreement, which, like its forerunner, is non-preferential and is based on reciprocal most-favoured-nation treatment and the greatest degree of liberalization—the most important are those concerning beef, to which Yugoslavia attaches particular interest, because it is a major item in its trade with the Community. The two parties have agreed on certain measures of cooperation, whereby the Community undertakes to amend the Community levies applicable to large bovine animals (baby beef). In return Yugoslavia undertakes to observe a certain number of points regarding quality, price and delivery rates.

351. The negotiations between the Community and Yugoslavia to conclude an Agreement on trade in cotton textiles largely based on agreements concluded in this sector with other countries under Article 4 of the long term Agreement were concluded in March. This Agreement entered into force with effect from 9 June 1973.

(c) *India*

352. An overall trade cooperation Agreement between the European Economic Community and the Republic of India was signed on 17 December 1973. This Agreement is the outcome of the particularly friendly relations which have existed between the two parties since the Community was set up — India was the first developing country to establish diplomatic relations with the Community — and it is also the starting point for further development in these relations now covering an enlarged Community which by this Agreement has expressed its wish to translate into deeds the guidelines expressed in the declaration of intent appended to the Treaty of Accession.

This Agreement, which is of special importance for the Community since it is the first of its kind concluded with an Asian country, constitutes the legal basis and the instrument which will enable the two parties to contribute to a new phase of economic cooperation in accordance with their human, intellectual and material resources. It will also serve as a basis for the strengthening and diversification of the economic links between India and the Com-

munity, having regard to the development of their economies and the evolution of their economic policies.

The Agreement defines the aims of trade cooperation and lays down the guidelines and methods for achieving them. It looks forward to trade developing in such a way as to take account of reciprocal interests and the necessity for a better balance in two-way trade flow at as high a level as possible.

The Joint Committee has been given a particularly important part in the achievement of these objectives, since it is the vehicle by means of which the two parties are to collaborate in finding practical means of putting the principles and guidelines of the Agreement into practice.

353. It should be noted that at the time of signing this Agreement the Community and India also signed two Agreements on jute and coconut fibre products. These replace the previous agreements in force since 1969 and contain new provisions favouring exports from India, notably by making the system of determining the volume of exports of certain of these products more flexible and by tariff reductions.

(d) *Japan*

354. Negotiations with Japan on a Trade Agreement, which were begun in 1970, are still at an impasse, mainly because of the problems concerning a safeguard clause which the Community is anxious to incorporate into the Agreement.

Since it has been impossible to come to any satisfactory arrangement the Community is trying to work out a Community approach on a pragmatic basis which will provide the most appropriate solution to the problems raised for the Community in its trade relations with this country.

The first stage of this approach was achieved by the Council in December 1973, when it gave its assent to several general guidelines which should serve to direct further work. The Council also adopted a Decision giving the Community the necessary means of gathering all the necessary data for an overall view of the problems raised by its trade relations with Japan.

(e) Relations with Latin America

355. A twofold development is taking place in relations between the Community and the Latin American countries, multilaterally on the one hand with the dialogue which was instituted on 1 June 1971 with the CECLA Latin America Member Countries as a whole and bilaterally on the other hand with commercial agreements concluded or negotiated by the Community with certain of these countries.

(i) The EEC-Latin America dialogue

356. The fourth meeting to continue this dialogue was held at Ambassador level on 28 November 1973 in Brussels. The two parties made a detailed examination of the report from a Joint Working Party of Experts on Trade Policy concerning the functioning in practice of the generalized preferences and reciprocal promotion and expansion of trade. This examination enabled both parties to stress the positive aspects of this Working Party's achievements. In fact their work has extended and explained various aspects of the Community system of preferences and has also produced a single viewpoint on the objectives relating to the reciprocal promotion and expansion of trade and in particular on the advisability of stepping up exports from the Latin American countries to the EEC as part of a drive for a balanced expansion of trade between the Community and Latin America.

In view of these achievements the two parties agreed to extend the Joint Working Party's brief for the period between the fourth and fifth meeting at ambassador level. In particular, this Working Party is required to complete two studies during 1974, one listing and reviewing the existing mechanism for promoting exports from Latin America to the EEC and suggesting improvements where necessary, and the other surveying the problems of developing exports from the Community to Latin America.

(ii) Bilateral Agreements

Agreements concluded with Uruguay and Brazil

357. The Community signed two new Trade Agreements in 1973, one with Uruguay on 2 April and one with Brazil on 19 December.

These two Agreements — which are fairly similar in content to that already concluded with the Argentine — apply practical solutions to various problems in certain sectors and also form an appropriate framework for seeking ways and means of facilitating the harmonious expansion and development of economic and trade relations between the two parties. They are non-preferential and provide for reciprocal most-favoured-nation treatment in trade relations and the greatest degree of liberalization in imports and exports which each of the parties applies in a general way to non-Community countries. These agreements lay down special solutions for problems which are specific to the countries concerned, they provide for cooperation in the field of agriculture, particularly regarding beef and the setting up of a Joint Committee to ensure that the agreements run smoothly and to seek possible ways and means of encouraging increased economic and trade cooperation on the basis of reciprocal advantage.

The Argentine

358. The Joint Committee provided for in the Trade Agreement concluded with the Argentine in 1971 met in November 1973. At this meeting the two parties exchanged information and examined the problems arising from exports of beef from the Argentine to the Community. It was agreed between the two parties that a second meeting, which would be part of the 1973 annual meeting of the Joint Committee, would be called at the beginning of 1974 to deal with other topics covered by the Agreement which concerned both parties.

(f) *Iran*

359. The Trade Agreement with Iran which had been in force since 1963 was not extended at the end of 1973. The Iranian authorities were of the opinion that this Agreement no longer corresponded to the current state of relations between the Community and Iran and that a new Agreement should be negotiated on a different basis.

The Commission is at present in contact with the Iranian authorities in order to obtain fuller information on this country's intentions and will report to the Council soon on the outcome of these contacts.

B — Community action regarding aid to the developing countries¹

1. OVERALL DEVELOPMENT POLICY ON A WORLD SCALE

360. The Conference of Heads of State or Government in October 1972 produced several major guidelines concerning development cooperation, and these are to be found under item 11 of the Paris Communiqué. Basically the Summit Conference stressed three points.

While not prejudicing the advantages enjoyed by the countries with which it has special relations, the Community should meet to a greater extent than in the past the expectations of all the developing countries. In this context the Summit confirmed the prime importance of the association policy and the implementation of commitments with the Mediterranean countries. The Summit also instructed the Institutions of the Community and the Member States to implement an overall cooperation policy on a world scale and to produce a timetable for doing this, specifying that these matters should be studied and decisions made on them during 1973.

361. In implementation of this Summit decision the Council agreed to give priority to working out an overall development aid policy, while still continuing to carry out the Community's regional policy within the context of the association policy in respect of the Mediterranean countries.

Thus the objective is to complete, systematize and widen the scope of the Community's activities hitherto in other parts of the world, which have been concentrated particularly on generalized preferences and food aid. A Working Party on Development Cooperation was set up for this task with the brief, 'to define the principles and aims of a cohesive general development policy on the world scale'.

At its meeting on 25/26 October the Council held an initial exchange of views on the report of this Working Party. The Council stressed the value of this report in which such a large problem had been dealt with in a general fashion for the first time within the Community. The Working Party's report deals with three main topics, the growth of exports from the developing countries, financial resources, and harmonization and coordination of Member States' policies.

¹ For Community regional action see the chapter, 'Associations' of this Review.

362. At its meeting on 5 November 1973, a special meeting on development aid, the Council resumed its deliberations on the whole problem under discussion. At the end of its deliberations the Council approved several Resolutions on specific points (commodities, generalized preferences, promotion of exports from developing countries, technical cooperation in regional integration between developing countries, and problems of indebtedness), as well as a Resolution on the harmonization and coordination of the cooperation policies of the Member States.

However, it was understood that approval of these Resolutions was to be confirmed when general agreement was reached on the problems raised by the general development cooperation policy, and in particular the problems remaining unsolved at the meeting on 5 November 1973. The most important of these was that of the financial resources to be devoted to development aid in other parts of the world.

The Council will devote a further special session to these problems at the beginning of 1974 so as to be able at that time to approve a balanced set of measures which could be implemented without delay.

2. GENERALIZED PREFERENCES

363. At its meeting on 17 and 18 December 1973 the Council adopted the Regulations and Decisions relating to the application in 1974 of generalized preferences in favour of the developing countries. The Decisions adopted by the Council are particularly important.

364. The system of generalized preferences for 1974 has two main features. In the first place this is the first year in which the three new Member States (Denmark, Ireland and Great Britain), who hitherto have been applying their own systems, are included in the Community system.

365. Furthermore, in accordance with the Directives of the Summit Conference in October 1972 'an improvement in generalized preferences with the objective of producing a regular growth in the imports of manufactured goods coming from developing countries', the system of generalized preferences comprises substantial improvements.

For industrial semi-finished and manufactured goods the improvements consist in the first instance of a substantial raising of the ceiling for preferential imports in that a recent reference year has been chosen for calculating the base level. This materially increases the overall level of preferential imports. A further improvement concerns the list of products subject to the Community tariff quota. In 1973 this list comprised 60 industrial products other than textiles and 32 textile products. For 1974 this list is reduced to 51 industrial products other than textiles and 30 textile products. Finally it should be noted that tariff reductions have been made for products manufactured from jute and coconut fibre.

The raising of the ceiling means that the developing countries are now able to export 2 000 million u.a. worth of preferential exports to the Community in industrial products other than textiles and some 500 million u.a. worth of textile products. This is an increase of 40 % on the total volume which would have been possible in 1973 if the Nine had applied the system which the Six applied that year.

For processed agricultural products the 1974 system comprises broader preferential margins and includes new products (194 products in 1974 as compared with 147 products in 1973), the most important of these being fishmeal, certain varieties of shrimp, coconut oil for industrial usage, desiccated coconut, cocoa butter, soluble coffee, certain types of tinned pineapple and raw Virginia flue-cured tobacco.

The Community considers that all these improvements for 1974 constitute a major effort which can be developed by stages in accordance with the effects of the Community system. For a certain number of products, particularly agricultural products, the improvements are part of the process of implementing the Joint Declaration of Intent appended to the Treaty of Accession which concerns the developing countries of Asia.

366. The improvements listed above, which take account of the need to protect the interests of the developing countries associated with the Community, confirm that the Community is constantly anxious to pursue a progressive policy and reinforce its policy of cooperating in trade expansion in non-Community countries, in spite of the world situation, particularly as regards trade and bearing in mind that the efforts to help the developing countries under the system of generalized preferences is mainly supported by the Community. In fact, certain other large economic entities have not

always implemented generalized preferences or have not made comparable efforts to do so.

367. The lists of countries benefiting from these measures are the same as those in the 1973 regulations, although Romania, in accordance with the Decision of the Council of 4 June 1973, was included among these countries by a special procedure.

In addition the Bahamas have been transferred from the list of dependent countries and territories to that of the independent countries to take account of its changed international status.

3. FOOD AID

368. Following the enlargement of the EEC to include Denmark, Ireland and the United Kingdom and in accordance with the Treaty of Accession (in particular Article 4), these three new Member States were bound to complete the procedures necessary for their accession to the Joint Agreements to which the Community was a party, in order to assume the rights and obligations arising from them.

The Community therefore had to lay down a procedure for these countries to accede to the 1971 Convention on Food Aid, to which none of them was a signatory, and to negotiate these procedures subsequently with the London Food Aid Committee, which was the body responsible for administering this Convention.

Since Denmark and the United Kingdom had been parties to the 1967 Convention on Food Aid, for legal and political reasons these two states were bound, in acceding to the 1971 Convention, to assume obligations at least equal to those which they had already undertaken under the 1967 Convention.

369. In view of this situation the Commission had proposed that the accession of the three new Member States to the Convention on Food Aid should be marked in a practical way by an increase in the total amount of food to be supplied annually by the Community by 252 000 tonnes, comprising the quantity due from the United Kingdom (225 000 tonnes) and Denmark (27 000 tonnes). As regards Ireland the Commission considered that no additional increase should be required from the Community. The Community's annual contribution

therefore rose from 1 035 000 tonnes to 1 287 000 tonnes as from 1 January 1973.¹

Apart from the legal considerations the Commission also justified its proposals by political arguments. It considered that because of its enlargement the Community's responsibilities in the world had also grown. This meant that the accession of the three new industrialized countries should call for an increased contribution from the Community in food aid, since this type of contribution was requested by the developing countries since one of their most urgent problems was the shortage of food, and at this stage it was the only means of financial cooperation by the Community with the Third World as a whole. The Commission also noted that this attitude was in complete harmony with the guidelines of the Paris Summit Conference.

The Council examined these proposals from the Commission in depth and adopted them in its meeting on 2/3 April 1973. Subsequently they were also accepted by all the members of the London Food Aid Committee.

370. Alongside its decision on the total amount of aid in cereals the Council also took action at the same meeting on the proportion of Community projects in relation to this total amount and the distribution among Member States of the proportions due from individual countries. It was therefore laid down that the Community's proportion would be 40 % for 1972/1973 and 45 % for 1973/74; it retained the method of calculating the distribution among Member States of the proportion due from individual countries, on the basis of which the distribution was as follows for 1972/1973: Belgium: 6.27 %; Denmark: 1.16 %; Germany: 27.48 %; France: 27.48 %; Ireland: 0.30 %; Italy: 20.44 %; Luxembourg: 0.17 %; Netherlands: 7.04 %; United Kingdom: 9.66 %.

The method given above allocates the additional quantities agreed because of the enlargement to the three new members, after the proportion due from the Community has been deducted.

¹ In consequence the Community's contribution for 1972/1973 will be on a pro-rata basis for 6 months and will therefore be 126 000 tonnes instead of 252 000 tonnes.

371. This set of Decisions more or less constituted the basis for drawing up the implementation measures for 1972/1973, which were adopted by the Council on 14 May 1973.

Under this scheme the Community and its Member States granted aid to 34 countries on four continents and to six international organizations which have specific experience in food aid distribution. The major beneficiaries were Bangladesh: 250 000 tonnes; all the Sahel countries and Ethiopia: approximately 150 000 tonnes; Egypt: 112 000 tonnes; Indonesia: 85 000 tonnes; Tunisia: 50 000 tonnes and the World Food Aid Programme (WFAP): 108 000 tonnes.

The Council paid particular attention to the Sahel countries (Upper Volta, Mali, Mauritania, Niger, Senegal and Tchad) and Ethiopia because of the dramatic effects of the severe drought which these regions had suffered. The Council therefore decided on 14 May 1973 to put at the disposal of the Sahel countries 13 000 tonnes of powdered skimmed milk in addition to the quantities of cereals mentioned above. The aid given to Ethiopia in the form of skimmed milk was handled by the International Red Cross. Again, on 28 December 1973, the Council adopted an aid programme for these countries in order to avoid as far as possible the recurrence in 1974 of situations similar to those in 1973. Under this programme the Community will supply 130 000 tonnes of cereals under the 1973/1974 system, 14 000 tonnes of powdered skimmed milk and 6 000 tonnes of butter oil.

372. As a matter of general interest it may be noted that in carrying out its obligations under the Food Aid Convention (supply of cereals) and in order to implement the aid programme in the form of milk products which was devised autonomously by the Community, in 1973 the Council concluded some 50 Supply Agreements with developing countries in receipt of aids and with certain international organizations.¹

4. UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

373. The Community, which regularly takes part in the activities of UNCTAD, also took an active part in the work of the different

¹ The texts of these Agreements are regularly published in the Official Journal of the European Communities.

UNCTAD committees which deal with specific problems such as generalized preferences and commodities, and also in the proceedings which concern the debates of the Council itself.

It should be noted in this context that the Commission and the Member States consulted each other regularly to coordinate their position so as to adopt a uniform attitude, in conformity with the provisions of Article 116. This took place at the Council meeting in Brussels and at preliminary sessions immediately before UNCTAD meetings.

374. The Trade and Development Board held a special meeting (24 April-5 May 1973) to make an initial examination of progress during the second decade of development.¹ Since it was unable to reach a consensus in this matter the Board referred the evaluations of the progress during the first two years of the decade which had been drawn up by the working parties for different geographical areas to the ECSOC and the General Assembly.

The UNCTAD Council will re-examine the whole matter midway through the decade at a special meeting which will be held in May 1975.

375. At its 13th meeting, which was held on 21 August-11 September 1973, the UNCTAD Council examined the delicate problems raised by the fact that trade, development financing and the international monetary system were interdependent. The main problem concerned the relations between UNCTAD and the GATT, and in particular the question of what rôle if any the Secretary-General of UNCTAD should play in the multilateral trade negotiations under the GATT. At the end of its deliberations the UNCTAD Council requested the Secretary-General 'to continue his consultations with the Director-General of the GATT on the measures to be taken to make it possible for the Secretary-General of UNCTAD to follow the progress of the multilateral trade negotiations in order to help the developing countries'. Subsequently it was agreed at the ministerial meeting of the GATT in Tokyo that the Director-General of the GATT should keep the Secretary-General of UNCTAD regularly informed and that the Trade Negotiations Committee could decide to invite the Secretary-General of UNCTAD to be present at its meetings.

¹ Cf. 'Stratégie internationale du Développement' 1971/1980.

376. It should be recalled that one of the major activities of the Commodities Committee concerns the increase in export earnings in the developing countries or, in other terms, access to markets and pricing policies. In this connection, following the third meeting of the Conference, and in particular the adoption of Resolution 83 (III), agreement was reached at the 7th special meeting of the Commodities Committee (27 February-10 March 1973), on the organization of 'intensive inter-governmental consultations' on a certain number of commodities.

The Community played a constructive rôle in this matter by helping to achieve an agreement on the principles and the terms of reference of these consultations.

377. Finally, it should be mentioned that at the instance of the President of Mexico the Santiago Conference¹ laid down that a working party should be set up to prepare a 'Charter of the economic right and duties of states'. This Working Party held two meetings in 1973 in order to work out the principles and provisions which might possibly appear in this type of Charter.

C — Community regulations in matters of common commercial policy

378. As part of the regulations in matters of common commercial policy the Council adopted a number of Decisions implementing or extending existing Regulations. Under the Decision of 16 December 1969 the Council authorized a number of treaties and commercial agreements concluded by Member States with non-Community countries to be extended. This Decision of 16 December 1969² lays down in Title 1 that to the extent that certain bilateral agreements concluded by the Member States do not constitute an obstacle to implementation of the common commercial policy, the Commission may propose the extension of these bilateral agreements for a limited period.

The Council also decided to extend the scope of the Regulations establishing common rules for imports into the Com-

¹ Cf. Resolution 45 (III).

² OJ No L 326 of 29.12.1969.

munity.¹ It was agreed to extend the list of products which can be imported into the Community without any quantity restriction.

379. The Paris Summit had signified the Community's will to pursue a common commercial policy towards state-trading countries as from 1 January 1973. There are many sides to this question.

The present situation on autonomous policy is that Member States each maintain a list of quantity restrictions which vary widely in number from one Member State to another and which cover different products. Consequently the Member States have a freedom to manoeuvre which allows them to lift restrictions autonomously provided that they comply with the Decision of the Council of 19 December 1972² which in essence lays down a consultation procedure.

In September 1972 the Commission had submitted a proposed Decision aimed at defining a common objective, which was to fix the number of quantity restrictions valid for all the Member States as the maximum number of restrictions to be maintained until the end of 1974 towards state-trading countries.

During 1973 the Council examined this proposal from the Commission on several occasions but difficulties occurred due to the very different basic situations on restrictions in the different Member States and also the internal economic situation and the balance of trade deficit between the Eastern Bloc and certain Member States.

Furthermore the bilateral trade agreements between the Member States and the Eastern Bloc are generally due to expire on 31 December 1974 and the question then arises of their being replaced by Community agreements.

Under the circumstances the Council considered that relations with state-trading countries ought to be examined in the light of all the many aspects of these problems and that it was preferable to examine the matter as part of a more general debate which ought to be held during the first quarter of 1974.

380. During the period under review the Council opened an important new chapter concerning economic relations with non-Com-

¹ Regulation No 1025/70 of 25.5.1970 and Regulation No 109/70 of 19.12.1969.

² Decision No 72/455, OJ No L 299 of 31.12.1972.

munity countries, i.e. the Co-operation Agreements. In recent years practically all the Member States have, of course, negotiated and concluded Cooperation Agreements with different countries in the Eastern Bloc. These agreements are now becoming increasingly important factors in the economic relations between the Member States and other non-Community countries, and in particular the oil-producing countries.

Because of this the Commission submitted a proposal to the Council in October 1973 aimed at establishing an information and consultation procedure for Cooperation Agreements between Member States and non-Community countries, the aim being to achieve better coordination of the attitudes of the Member States to this type of agreement. The Council began to examine this proposal at the end of 1973 and agreed to make a statement on it in the first half of 1974.

381. Finally it should be reported that 1973 saw the first contacts between COMECON and the Community. Since the Communist countries in Europe had always ignored the existence of the Community in the past this initiative from COMECON constituted an important event.

In September 1973 the Secretary-General of COMECON approached the President in Office of the Council to communicate to him his organization's desire to enter into relations with the Community. The Council examined all the aspects of this step and immediately agreed to inform COMECON that the Commission was prepared to accept any communication or approach in the matter. This message was communicated to COMECON through the Danish Ambassador in Moscow, since at that time Denmark held the Presidency of the Council.

The Council also instructed the Commission to study at once the sectors in which cooperation with COMECON might be possible.

D — Relations between the member countries and associates of EFTA not seeking accession

382. On 1 January 1973 the Agreements which had been concluded between the European Economic Community and Austria, Portugal,

Sweden and Switzerland and the Additional Agreement with Liechtenstein came into effect.¹

383. The Agreement concluded with Iceland entered into force on 1 April 1973 due to the fact that the ratification procedure had been delayed by Iceland because of the problem of the economic difficulties resulting from the measures adopted by Iceland on fishing rights. In this context it should be noted that the Community has decided to defer the decision on the implementation of Protocol No 6 to this Agreement until a satisfactory solution for all the Member States is found to these difficulties.

However, the first tariff reduction of 20% on both sides was made on 1 April 1973, as laid down by the Agreements.

384. It should also be noted that the Agreements concerning products relating to the ECSC treaty which were concluded with each of these countries were ratified during 1973, which enabled them to come into force on 1 January 1974. On this same date the provisional procedure established autonomously and concomitantly, which provided for the implementation of the tariff reductions laid down in these agreements, expired.

385. The Council was in a position to negotiate and conclude one of the Agreements with Norway similar to the Agreements concluded with the other EFTA countries so as to find a solution to the difficulties arising from Norway's decision not to accede to the European Communities. On 14 May 1973 the EEC-Norway Agreement and the Agreement between the Member States of the ECSC and Norway were signed in Brussels, which enabled the EEC-Norway Agreement to enter into force on 1 July 1973, the date on which the first tariff reduction of 20% was made on both sides.

The ratification procedure for the agreement relating to products involved in the ECSC treaty is at present in hand. However, the parties to this Agreement have decided to implement autonomously and concomitantly the tariff reductions laid down in this agreement until the Agreement itself comes into force.

¹ See 20th Review of the Council's activities for the history of the negotiations with all the EFTA countries and the content of the agreements concluded under the EEC and ECSC treaties.

386. The Agreements concluded with Finland constitute another special case. These Agreements were signed on 5 October 1973 and enabled the EEC-Finland Agreement to come into force on 1 January 1974.

The ratification procedures for the Agreement on products relating to the ECSC treaty are in hand in the contracting countries. As in the case of relations with Norway, the contracting parties have brought into force autonomously and concomitantly the tariff reductions laid down by this agreement as from 1 January 1974.

Thus during 1973 the Council has been able to devise agreed solutions to the problems caused to the EFTA countries by the enlargement of the Community.

387. It should be noted that the Joint Committees provided for in all the Agreements for their administration met twice to examine the functioning of these agreements. The outcome was that the rules of origin defined in Protocol No 3 to each of these Agreements were modified and simplified.

Finally it should be noted that the Council brought regulations into force establishing a system of Community surveillance of imports of certain products regarded as originating in the different EFTA countries and opened tariff quotas for certain wines originating in Portugal mentioned in the EEC-Portugal Agreement.

1. AGREEMENT BETWEEN THE COMMUNITY AND THE SWISS CONFEDERATION ON THE IMPLEMENTATION OF THE REGULATIONS ON COMMUNITY TRANSIT

388. In November 1973 the procedures were completed for the entry into effect of this Agreement on 1 January 1974.¹ Its object is to reduce and simplify considerably the customs formalities when goods cross the borders between the Community and Switzerland, to establish customs cooperation for this purpose and thus to facilitate international goods traffic.

389. The Joint Committee provided for by this Agreement met on 3 December 1973. The outcome of this meeting was to simplify

¹ This Agreement was signed by the two contracting parties on 23 November 1972.

the procedures laid down in the Agreement and to amend it following the accession to the Community of the new Member States.

The Council approved a Regulation on the implementation of the decisions of this Joint Committee.

2. AGREEMENT BETWEEN THE COMMUNITY AND THE REPUBLIC OF AUSTRIA ON THE IMPLEMENTATION OF THE REGULATION ON COMMUNITY TRANSIT

390. In November 1973 the procedures were completed for the Agreement mentioned above to enter into effect on 1 January 1974.¹ This is analogous with the Agreement between the Community and the Swiss Confederation.

391. The Commission submitted a proposed Regulation to the Council on the implementation of four decisions of the Joint Committee provided for by the Agreement mentioned above, the object of which was to simplify the procedures laid down by the Agreement and to amend it following the accession to the Community of the new Member States.²

¹ This Agreement was signed by the two contracting parties on 30 November 1972.

² The Council approved this Regulation on 16 January 1974.

CHAPTER VII

Relations with the countries of the Mediterranean basin

A — The overall approach in relations between the Community and the Mediterranean countries

392. It will be recalled that the Council at its meeting of 18 and 19 December 1972 had instructed the Permanent Representatives Committee to continue its examination of all the proposals relating to relations with the Maghreb countries, Spain and Israel as part of the overall Mediterranean approach, which the Commission had submitted to the Council at the beginning of December 1972.¹

Work on this matter began in January 1973 and was actively pursued during the following months. At its meeting on 14 and 15 May 1973 the Council set itself the objective of giving the Commission general Directives in June with a view to opening negotiations with the countries concerned.

This objective was attained at the Council meetings on 4/5, 18/19 and 25/26 June 1973, when Directives to the Commission were adopted on the opening of negotiations with Algeria, Morocco, Tunisia, Spain and Israel respectively. These covered all the facets of the overall approach to relations between the Community and the Mediterranean countries, i.e. industry agriculture, manpower, cooperation, general and institutional provisions.

393. In the presence of observers from the Member States the Commission opened negotiations in July 1973 with Spain (16 and 17), Israel (18 and 19), Morocco (25 and 26) and Tunisia (27 and 28). It

¹ See 20th Review, paragraph 295.

continued these negotiations at a second session, with Israel on 1 and 2 October, Morocco on 4 and 5 October, Tunisia on 8 and 9 October and Spain on 18 October 1973. Negotiations with Algeria were held on 20 and 21 September 1973.¹

In the course of these negotiations the parties in question were able to explain and define their respective positions on the content of the agreements envisaged. Some areas of agreement were determined, such as the objective and the general structure of the agreements. On the other hand there were areas of disagreement on the basic means of attaining this objective. The negotiating parties drew up an initial list of problems which had arisen and agreed to report back to their respective authorities on the progress of the negotiations.

394. At the end of October 1973 the Commission submitted a report to the Council in which it made particular mention of the difficulties surrounding the continuation of negotiations with the countries in question.

On 6 November 1973 the Council instructed the Commission to draw up specific proposals for the conclusion of all the negotiations in question as soon as possible.

On this same date the nine governments of the Community also published a declaration on the subject of the Middle East, item 5 of which runs as follows:

'5. On this occasion they recalled the many and various links which have existed for a long time between themselves and the countries of the South and East Mediterranean. In this connection they reaffirm the words of the Paris Summit Declaration of 21 October 1972, and recall that the Community is resolved, as part of its general and balanced approach, to negotiate agreements with these countries.'

Following the instruction from the Council, the Commission submitted specific proposals at the end of November 1973, and, at its meetings on 3/4 and 17/18 December 1973, the Council instructed

¹ It will be recalled that the Directives of the Council of June 1973 follow, in the case of Algeria, the Directives of the Council of 10 May 1972 on which the first negotiating session with these countries was based on 10/11.7.1972. (See 20th Review, paragraph 337).

the Permanent Representatives Committee to examine these rapidly and to submit a report which would enable the Council to adopt final Directives as soon as possible concerning negotiation for the Commission with a view to concluding general agreements with Spain, Israel and the Maghreb countries.

395. It will be recalled that in 1972 it was agreed that the case of Malta should be examined within the context of proceedings relating to the overall approach.¹

This is how the Council, when it adopted Directives on the opening of negotiations with Spain, Israel and the Maghreb countries in June 1973, came to certain conclusions in the case of Malta concerning cooperation and instructed the Permanent Representatives Committee, in collaboration with the Commission, to prepare Directives for the Commission to negotiate with Malta the inclusion of sections on cooperation and agriculture in the existing association agreement.

On 20 July 1973 the Commission submitted concrete proposals on this matter and examination of these commenced in September 1973.

Also in this connection, on 17 and 18 December 1973 the Council instructed the Permanent Representatives' Committee to pursue its tasks actively, likewise in order to enable it to adopt Directives on negotiation for the Commission as soon as possible with a view to extending the existing association agreement with Malta to the fields of cooperation and agriculture.

B — The adaptation of existing agreements to the new situation of the enlarged Community

396. It will be recalled that in 1972, while waiting for the general approach to be worked out, it had been decided to negotiate supplementary Protocols with each of the countries already linked to the Community by agreements, with a view to regularizing the relations

¹ See 20th Review, paragraph 308.

which were to come into being on 1 January 1973 between the new Member States and each of these countries.¹

397. Supplementary Protocols for Spain and Israel, where negotiations had been completed by the Commission on 22 December 1972, were signed on 29 January 1973 with Spain and on 30 January 1973 with Israel and these entered into force on 30 March 1973 and 29 March 1973 respectively.

It will be recalled that these Supplementary Protocols were valid only for 1973.²

398. Supplementary Protocols for Morocco and Tunisia as a result of the enlargement of the Community were negotiated in January 1973 and signed on 28 February 1973 with Tunisia and 2 March 1973 with Morocco. The Supplementary Protocol with Morocco entered into force on 1 January 1974 but the Supplementary Protocol with Tunisia is only expected to enter into force at the beginning of 1974.

These Protocols are of a different type from those concluded with Spain and Israel. In accordance with the Act of Accession they lay down transitional measures for the provisions of the Association Agreements with Morocco and Tunisia to be taken up gradually by the new Member States and for certain provisions to be adapted because of the enlargement of the Community.

It is laid down that the three new Member States shall apply percentage reductions as laid down in the Association Agreement, to Morocco and Tunisia on the duties applied by them to non-Community countries and according to an identical time-table to that laid down for the reductions in customs duties under the Treaty of Accession, on the understanding under the so-called 'cut off' rule, that Morocco and Tunisia should receive more preferential treatment than the six original Member States in the markets of the acceding states.

The adaptation measures laid down are largely concerned with figures, and amend certain provisions in the Association Agreements because of the accession of the three new Member States. They concern basically the raising of the ceiling for Com-

¹ See 20th Review, paragraph 296.

² See 20th Review, paragraph 297 and OJ No L 66 of 13.3.1973.

munity imports of refined petroleum products from Morocco and Tunisia, from 100 000 to 150 000 tonnes.

In return Tunisia would extend to the three new Member States the tariff preferences which it grants to the original six Member States, in accordance with the same time-table as the new Member States are using for Tunisia, i.e. the Treaty of Accession time-table.¹

The undertakings entered into by Morocco and Tunisia regarding quantitative restrictions *vis-à-vis* the original Community have been adjusted, because of the accession of the three new Member States, by increasing the volume of the quotas.

Furthermore, unlike the protocols concluded with Spain and Israel, which are valid only for 1973, the protocols concluded with Morocco and Tunisia apply for the remaining period of validity of the basic agreement, i.e. until 1 September 1974, on which date the new overall agreements which are at present being negotiated should supersede them.

In this connection it should be noted that in the recital to these Protocols it is recalled that the contracting parties to the Rabat Agreement and the Tunis Agreement set themselves the objective of negotiating new agreements on broader bases, and that the Community has laid down that these new agreements would also include other measures relating to cooperation, in addition to a system of preferences for commercial trade.

399. Negotiations for a Supplementary Protocol for Malta were not begun in 1973, since Malta gave priority to negotiating an extension of the Association Agreement to cover cooperation and agriculture.²

400. It will be recalled that, because of the enlargement, the Supplementary Protocol to the Cyprus Association Agreement was signed at the same time as the Agreement itself on 19 December 1972 and that it is an integral part of the Agreement. These texts entered into force simultaneously on 1 June 1973.³

¹ In the case of Morocco no tariff preference in favour of the Community was laid down by the Rabat Agreement of 1969.

² See paragraph 395 of this Review.

³ OJ No L 133 of 21.5.1973. For an analysis of the Association Agreement and the Supplementary Protocol see 20th Review, paragraph 331.

401. In the same way the Supplementary Protocol for the Arab Republic of Egypt is also an integral part of the Agreement. These texts entered into force simultaneously on 1 November 1973.¹

402. In the case of Greece negotiations to establish an additional protocol in accordance with Article 64 of the Athens Agreement were suspended in May 1973, with the Greek delegation still not having stated its government's position on the only question still being discussed since the end of 1972, i.e. the conditions under which Greek wines would be imported into the enlarged Community.

403. Negotiations between Turkey and the Community with a view to establishing a Supplementary EEC Protocol and a Supplementary ECSC Protocol, as required by the enlargement, began in January 1972 and were concluded in May 1973. The Supplementary Protocols were signed at Ankara on 30 June 1973.

The EEC Protocol — as in parallel cases — lays down transitional measures and adaptations to the Association system because of the enlargement. Amongst the adaptations certain basic and important provisions should be mentioned, particularly the increase in the volume of tariff quotas opened by the Community in favour of Turkey (petroleum products, cotton yarn and piece goods) and the increase in the financial aid granted to Turkey from 195 million to 242 million u.a. under the Second Financial Protocol.

Furthermore, some flexibility measures were incorporated in the Supplementary Protocol to allay Turkey's fears of the possible consequences on its industrialization when the Turkish market was opened to the products of the new Member States.

On agriculture it was agreed that the successive examinations laid down by Article 35 paragraph 3 of the additional Protocol, which was signed on 23 November 1970, would be brought forward one year and that the first of these examinations would take account of the nature of the trade between Turkey and the new Member States as well as the objectives and intrinsic merits of the Association Agreement. In this connection Turkey showed concern over the effects on the pattern of its exports to these countries if they were to resume the Community system for the importation of agricultural products. The new agricultural concessions in favour of Turkey were

¹ See paragraph 422 of this Review.

adopted during the first examination by the Association Council on 30 June 1973.¹ The new concessions entered into force on 1 January 1974.

The objective of the Supplementary Protocol on ECSC products is also to extend the application of the ECSC Agreement, which was signed on 23 November 1970, to the three new Member States. It will be recalled that this agreement, while it provides for the abolition of barriers to trade between the Member States and Turkey, does not lay down a time-table, and leaves the contracting parties to draw one up at a later date.

The Supplementary Protocols mentioned above are at present undergoing ratification procedures in the Member States of the enlarged Community and in Turkey in accordance with the respective constitutions of these countries.

While awaiting the completion of these procedures in the different states and their conclusion by the Council, Turkey and the Community decided to anticipate the entry into force of the commercial provisions of the EEC Supplementary Protocol by means of an interim agreement. This agreement was signed on the same day as the Supplementary Protocol. It entered into force on 1 January 1974.

404. At the end of 1973 the slow progress of the proceedings under the overall approach led the Council to state on 3 and 4 December 1973 that the Community would not be able to attain its self-imposed objective of concluding new agreements for 1 January 1974. Consequently the Community endeavoured to specify a transitional system to be applied from 1 January 1974 to relations between the Community and, in particular, the three new Member States and also those countries concerned in the overall approach and already linked to the Community by an agreement, namely Spain, Israel, Morocco, Tunisia and Malta. In fact the Supplementary Protocols concluded with Morocco and Tunisia had not yet entered into force at this stage and the agreements in force concerning Spain and Israel were due to expire on 31 December 1973. Negotiations on the Supplementary Protocol for Malta had not yet been started.²

¹ See paragraph 408 of this Review.

² See paragraph 399 of this Review.

On 3 and 4 December 1973 the Council instructed the Permanent Representatives Committee to devise a procedure for a transitional system of this kind. On 12 December 1973 the Commission submitted some proposals on this matter which were examined immediately. At its session on 17 and 18 December 1973 the Council noted the initial findings of this examination and instructed the Permanent Representatives Committee to endeavour to define this transitional system as soon as possible.

Work was still proceeding on this at the end of the year.

However, in the case of Morocco, it was possible to deal with the legal aspects of this problem since on 28 December 1973 documents were exchanged concerning the entry into force on 1 January 1974 of the Supplementary Protocol to the Association Agreement because of the enlargement of the Community.

C — Implementation of existing agreements with Mediterranean countries

(a) Greece

1. THE ASSOCIATION AGREEMENTS

405. The Council maintained its previous position of confining itself to the day-to-day administration of the Athens Agreement.

As regards progress towards customs union it must be noted that for industrial products which are to be derestricted in 12 years' time when imported into Greece,¹ a further reduction of 10% on the basic duty was made on 1 November 1973, making the reduction on these products 90% of the basic duty. In view of this new reduction the compensatory levy applicable to exports from Community Member States to Greece was amended under Article 8 of the Athens Agreement.

It should be noted that for industrial products made in Greece which are to become duty free over the longer period of 22 years,

¹ See 20th Review, paragraph 301 for the system of importation of Greek products into the Community and the tariff system for the importation into Greece of agricultural products from the Community and the abolition of quantity restrictions.

no additional reduction was made in 1973. The reduction in the basic duty applied to these products therefore remained at 28 %.

406. The Association Council met at ambassador level on 23 November 1973. This meeting was primarily devoted to discussing certain matters concerning the implementation of Article 64 of the Athens Agreement and to bring up, at the Community's request, the difficulties which have arisen concerning customs union.

At the two meetings which it held in 1973 the Association Committee prepared the ground for the abovementioned Association Council.

(b) Turkey

407. On 1 January 1973, the 9th year of the Association, the additional protocol,¹ the agreement relating to ECSC products, and the 2nd financial protocol between the Community (of the Six) and its Member States and Turkey, the texts of which were signed in Brussels on 23 November 1970,² entered into force. This date thus marked the end of the preparatory phase and the beginning of the transitional phase of the Association.

408. In 1973 the Association Council met once, at ministerial level, on 30 June 1973 at Ankara. During this meeting, following general speeches in which the Community and Turkey emphasized the largely positive nature of the results obtained under the Association during the period since the agreement was signed in Ankara in 1963, a series of new concessions were drawn up, as part of the first agricultural review, and these were to be brought into force when the interim agreement entered into force,³ concerning imports of Turkish agricultural products into the Community.

These concessions concern some twenty tariff items, including the following products: garlic and dried onions, food pastes, certain mixed vegetables, malt, grapefruits, pomelos, vetches and nuts. It

¹ However, it should be noted that the commercial provisions of the additional protocol, through an interim agreement — were applied with effect from 1 September 1971, i.e. before the set date.

² See paragraph 417 of the 19th Review for an analysis of the provisions of these protocols and of this agreement.

³ See paragraph 403 of this Review.

was laid down that further concessions would be made under the open review system for products coming under the general Mediterranean approach and particularly for tomato concentrates, one of Turkey's major exports.

409. The Association Council also gave its basic assent¹ to the measures to be taken in connection with customs tariffs to adapt the existing decisions under the Association to relations between the enlarged Community and Turkey.

Furthermore, when the Association Council met the Community was again requested by Turkey to include it in the list of countries benefiting from general Community preferences. The Community undertook that in cases where the general preferences were made more favourable as from 1 January 1974 — when the new Member States will adopt the Community system — Turkey would also be treated more favourably and that the Community would take the necessary autonomous measures to amend the provisions of the association so as to avoid any discrimination against Turkey.²

Furthermore, on the subject of the implementation of the Second Financial Protocol, the Community informed the Turkish delegation that it could give its assent to the request submitted by Turkey to be granted the facility of recourse to the Bank's own resources in addition to the financial aid provided by Member States, once the Second Financial Protocol entered into force, under normal market conditions of competition, up to a maximum of 25 million u.a.

410. The EEC-Turkey Association Committee held eight meetings, at which various quite technical problems were discussed concerning in particular the preparation and implementation of the Ankara Association Council decision on agriculture. Under the Association Committee and in accordance with Article 53 of the additional protocol, Turkey was also informed in advance of the contents of the provisions which the Community planned to make on external trade matters, i.e. generalized preferences and negotiations under Article XXIV/6 of the GATT.

¹ These measures, and the agreed measures on agriculture, were formally approved by written procedure at the end of 1973.

² In the past the Community (of the Six) has already on several occasions taken and renewed autonomous measures granting additional concessions to Turkey with regard to the association system.

411. The joint EEC-Turkey Parliamentary Commission held two meetings — the 15th meeting in Strasbourg and Luxembourg from 10/14 May and the 16th at Istanbul on 6/10 September 1973. At these meetings the various participants were able to discuss problems arising within the Association, mainly on the basis of the Association Council's annual report. At each meeting the Parliamentary Commission adopted various recommendations. As a sign of his interest in these proceedings the President of the Council of the Communities took care either to be present in person or to be represented at each of these meetings.

(c) *Morocco and Tunisia*

412. During the period under review there were no meetings of the EEC-Morocco or EEC-Tunisia Association Councils.

The EEC-Morocco Association Committee met on one occasion, on 11 April 1973, to discuss the citrus fruit situation, at the request of the Moroccan delegation. Following this meeting a group of experts from the Commission of the European Communities visited Morocco in order to obtain a better insight on the spot into the problems raised by the Moroccan delegation during this meeting.

413. In addition, a certain number of administrative measures were taken by the Council of the Communities concerning its relations with Morocco and Tunisia.

In the fisheries products sector the national schedules which are still in force for certain products — particularly tuna and sardine preserves — were again¹ extended for one year, up to the end of 1973.

At the end of 1973 the Commission submitted proposals to the Council to extend these national systems still further, up to 31 December 1974. The Council will be called on to make a pronouncement on these proposals at the beginning of 1974.

Agreements in the form of exchanges of letters were negotiated and signed on 20 July 1973 at Brussels with Morocco and Tunisia with a view to revising certain procedures in the importation into the

¹ See 20th Review, paragraph 306.

Community of non-refined olive oil from these countries, a system laid down in Article 5 of the Appendix 1 of the Association Agreements.¹ These Agreements in the form of an exchange of letters should enter into force at the beginning of 1974, once the necessary procedures have been completed in Morocco and Tunisia and in the Community.

While waiting for the definitive system applicable to wines originating in and coming from Morocco and Tunisia to be defined, the Council extended for the second time² its regulations establishing a transitional system autonomously (also applicable to Algeria and Turkey) which gives a reduction of 40% in the CCT duties provided that the reference price is operated.

(d) *Malta*

414. The EEC-Malta Association Council did not meet in 1973.

(e) *Cyprus*

415. At the time when the Association Agreement and the Additional Protocol entered into force on 1 June 1973 the Council adopted a certain number of implementing Regulations, and more were adopted at a later date.³

Simultaneously with the Agreement and the Protocol an exchange of letters dated 28 March 1973 was also brought into force. In these the parties to the Agreement agreed that the provisions of the Agreement relating to importations into the Community of citrus fruits originating in Cyprus (Article 4 of appendix 1 to the agreement) would not apply in 1973 to the markets of the three new Member States. In other words, Cyprus was excused in 1973 from the obligation to maintain the agreed price for citrus fruits in the markets of the three new Member States, while the reference price naturally remained in force throughout the enlarged Community. This clause, which had already been inserted in other Mediterranean agreements,

¹ See 20th Review, paragraph 306 for a brief analysis of these new procedures. It is recalled that this same revision was agreed with Turkey and is planned for Spain.

² Regulation of 24.7.1973, OJ No L 206 of 27.7.1973.

³ OJ No L 133 of 21.5.1973 and No L 359 of 28.12.1973. (See 20th Review, paragraph 331 for an analysis of these Acts).

removed discrimination in these markets against exports of citrus fruits from Cyprus — which in 1973 did not enjoy tariff preferences in the markets of the new Member States. This was aimed mainly at discrimination in favour of citrus fruit exports from Israel and Spain which, under the Protocols concluded by these countries with the Community for 1973, were only bound during that year to maintain the reference price, which is lower than the agreed price.

416. The Association Council set up by the Association Agreement held its first meeting at ministerial level on 26 November 1973 in Brussels. During this initial meeting the Association Council drew up its internal regulations and at the same time set up the Association Committee and the Customs Cooperation Committee. It also decided on the interval at which the two parties will alternate in providing the Chairman.

It also approved a recommendation laying down the system for administrative cooperation on customs matters for the implementation of the Agreement.

At this meeting the two delegations made declarations on the growth of the Association and the Cypriot government especially recalled its requests for the extension of the Association Agreement as regards agriculture and cooperation.

It should be noted that while not making a basic statement on these questions the Council authorized the Commission to discuss them with the Cypriot delegation in preliminary talks which were held at the same time as the meeting of the Association Council.

2. THE OTHER MEDITERRANEAN AGREEMENTS

(a) Spain

417. Under the Agreement between the European Economic Community and Spain the Joint Commission laid down in the Agreement held its third meeting in Madrid on 6 April 1973. This meeting was basically devoted to discussing technical problems connected with the implementation of the Agreement, especially as regards products subject to quotas in the agricultural sector, and in particular citrus fruits, wines and olive oil. The joint Commission also examined trends in the commercial relations between the European Economic Community and Spain and noted that trade was developing favourably.

418. The Joint Commission held an exchange of views on the prospects for commercial relations between the European Economic Community and Spain, taking account of the guidelines in the Supplementary Protocol¹ and in particular the aim of the negotiations during 1973 of a new agreement on broader basis as part of the overall Mediterranean approach.

Furthermore, an agreement in the form of an exchange of letters was negotiated in 1973 between the European Economic Community and Spain concerning certain cheeses mentioned in the agreement of 5 June 1970.² The object of this agreement was to amend the threshold prices and the free frontier prices to be maintained by the Community when exporting certain cheeses to Spain. The provisions of this Agreement, which has not yet been signed, are already in force.

419. It was agreed that the question of revising the treatment accorded to imports into the Community of olive oil other than refined oil and originating in and coming from Spain³ would be dealt with during negotiations with Spain for a new agreement on broader bases as part of the general approach.

420. Furthermore as in the previous year, on 5 February 1973 the Council adopted Regulations opening, allocating and administering for 1973, Community tariff quotas for wines from Jerez, Malaga, Jumilla, Priorato, Rioja and Valdepenas and for dry figs and raisins originating in Spain.

(b) *Israel*

421. Under the Agreement between the EEC and Israel, the Joint Commission provided for in the Agreement held its third meeting in Jerusalem on 15/19 February 1973. During this meeting the Joint Commission made a detailed review of the trends in trade between EEC and Israel and noted that there had been satisfactory progress on both sides. This meeting was basically devoted to analysing the implementation of the agreement and to exchanging views on the prospects for commercial relations between the European Economic

¹ See paragraph 397 of this Review.

² OJ No L 192 of 13.7.1973.

³ See 20th Review, paragraph 310.

Community and Israel, taking account of the guidelines in the Supplementary Protocol,¹ and in particular of the aim of negotiating a new agreement in the course of 1975 on a broader basis under the general Mediterranean approach.

(c) Arab Republic of Egypt

422. The preferential trade agreement between the European Economic Community and the Arab Republic of Egypt, signed in Brussels on 18 December 1972 and the additional Protocol the object of which was to amend the agreement as necessary following the enlargement of the Community, entered into force on 1 December 1973.²

423. An agreement between the EEC and the ARE, in the form of an exchange of letters relating to the provisions laid down in the preferential agreement favouring citrus fruits originating in the ARE was signed in Brussels on 21 June 1973.

Under the provisions of this agreement citrus fruits originating in the ARE enjoy a tariff reduction when imported into the Community provided that a minimum price is maintained. The object of the exchange of letters signed on 21 June 1973 was to lay down that in 1973 the ARE was not bound to maintain this minimum price in the markets of the three new Member States, while the reference price would naturally remain in force for imports to any of the enlarged Community countries. The same system was also used for several Mediterranean countries linked to the Community by agreements. This exchange of letters entered into force at the same time as the preferential trade agreement and the additional Protocol.

424. On 24 July 1973 the Council adopted certain Regulations implementing the preferential agreement relating to safeguards and imports of citrus fruits and rice originating in the ARE. On 11 October 1973 the Council also adopted two Regulations opening, allocating and administering Community tariff quotas for 1973 laid down in the preferential agreement for certain petroleum products refined in the ARE and for certain textile products originating in this country. All these Regulations entered into force on 1 November 1973, simultaneously with the Agreement and the Supplementary Protocol.

¹ See paragraph 397 of this Review.

² See 20th Review, paragraph 315 and OJ No L 251 of 7.9.1973 for the contents of these Acts.

D — The new agreements concluded in 1973

1. PREFERENTIAL TRADE AGREEMENT BETWEEN EEC AND THE LEBANON

425. The preferential trade agreement between the EEC and the Lebanon, which was signed on 18 December 1972,¹ was arranged to enter into force at the same time as a complementary Protocol necessitated by the enlargement of the Community, which still remained to be negotiated and signed.

Negotiations between the EEC and the Lebanon on this Protocol were concluded on 6 June 1973 and the Protocol signed in Brussels on 6 November 1973.

426. The object of this Protocol is to lay down the transitional measures and the amendments to the Agreement between the European Economic Community and the Lebanese Republic — which was signed on 18 December 1972, necessitated by the accession of the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland to the European Economic Community.

It lays down that the new Member States will apply percentage reductions to the duties which they apply to non-Community countries as laid down in the agreement which was signed on 18 December 1972. However, it is understood that under no circumstances may this result in more preferential treatment for the Lebanon in the markets of the new Member States than for the original Member States.

It is also understood that agricultural produce from the Lebanon will be subject to the common agricultural policy procedures (particularly the system of reference prices in the new Member States) and that account will also have to be taken of the special systems laid down in the agreement in favour of the Lebanon, particularly as regards citrus fruits.

Furthermore the tariff quota laid down by the Community for Lebanon for other woven fabrics of cotton (B.T.N. No 55.09) has been increased from 70 to 100 tonnes to take account of the enlargement of the Community.

¹ See 20th Review, paragraph 322.

In return the Lebanon will systematically extend to the new Member States the preferences which it will grant to the Community, by reducing the existing gap between the customs duties and taxes having an equivalent effect which it applies to non-Community and Community countries.

427. On 17 December 1973 the Council adopted the Regulations concluding the agreement and the additional Protocol. It is expected that these Acts will enter into force simultaneously in the early months of 1974.¹

428. On 17 December 1973 the Council also adopted Regulations relating to certain provisions laid down in the Agreement between the EEC and the Lebanon. These are Regulations relating to safeguards and imports of citrus fruits and olive oil originating in the Lebanon. These Regulations will enter into force at the same time as the Agreement and the Protocol.

2. 1965 AGREEMENT ON TRADE AND TECHNICAL COOPERATION BETWEEN THE EEC AND THE MEMBER STATES AND THE LEBANON

429. A Protocol to this 1965 Agreement was signed in Brussels on 16 May 1973. This Protocol constitutes an additional document to the 1965 Agreement, necessitated by the accession to the European Economic Community of the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland. By this act the three new Member States become contracting parties to the 1965 Agreement mentioned above.

This Protocol will enter into force when the contracting parties inform each other that the requisite procedures have been completed. Since these procedures require a relatively long time for completion the contracting parties stated in a joint declaration that they were prepared to implement this Protocol provisionally with effect from the date of signature.

430. It should be noted that a further extension for one year from 1 July 1973 has been made to the 1965 Agreement as such, which entered into force on 18 June 1968 and which was extended successively in 1971 and 1972. It should also be noted that the Community

¹ OJ No L 18 of 22.1.1974.

and its Member States, in a declaration of intent which was signed in Brussels on 6 November 1973, expressed their intention, so as to respond favourably to a request from the Lebanon, to extend this 1965 agreement annually during the period of validity of the preferential trade agreement between the Community and the Lebanon, which was signed on 18 December 1972.

E — Other current negotiations ¹

Jordan

431. It will be recalled that following the wish expressed by the Jordanian Government in July 1972 to enter into negotiations to conclude a preferential trade agreement with the Community, the Council at its meeting of 9/10 October 1972 instructed the Commission to begin exploratory talks with Jordan.

The Commission held these exploratory talks in 1973 and is due to submit a report on them to the Council.

¹ Apart from those concerning Spain, Israel, the Maghreb countries and Malta, which are dealt with in A above.

CHAPTER VIII

The associations

A — The Association with the AASM

432. During the period covered by this Review, relations between the Community and the AASM were governed by the Yaoundé Convention which entered into force on 1 January 1971 and is in its third year.

433. Before going on to the main activities it should first be reported that on 1 June 1973 the Association Agreement entered into force whereby Mauritius acceded to the Yaoundé Convention. This is an important milestone for the Association, since Mauritius is the first of the independent Commonwealth countries to become integrated in the EEC - AASM Association before the expiration of the *status quo* laid down by the Act of Accession which comes to an end on 31 January 1975.

434. As regards the institutions, 1973 saw the participation of three new Member States of the EEC (Denmark, Ireland and the United Kingdom) in the meetings of the Association Committee and Association Council.

435. Furthermore, the opening conference on 25 and 26 July 1973 of the EEC, the AASM, the developing Commonwealth countries in Africa, the Indian Ocean, the Pacific Ocean and the Antilles, and certain African states in the Southern Sahara, was an event of the greatest importance. The object of this conference was to prepare for the negotiations which were to begin on 1 August 1973 to establish an Association system which was to enter into force on 31 January 1975 when the Association Convention which was signed on 29 July 1969 (Yaoundé Convention) was due to expire.

436. This conference was followed by a ministerial conference which was held on 17 and 18 October 1973, at which the Community and the other negotiating parties gave specific details on the main objectives of the negotiations, which took place in the second half of 1973.

1. THE INSTITUTIONS OF THE ASSOCIATION

(a) The Association Council and Association Committee

437. During the period under review the EEC - AASM Association Council held its 14th meeting on 15 June 1973 at Port Louis (Mauritius). It was chaired by the President-in-Office of the Council of the European Communities, Madame Irène Petry, Belgian Secretary of State for Development Cooperation.

The Council of the Communities had prepared for the Association Council at a meeting which it held the same day.

438. During the same period the Association Committee held three meetings, on 2 February 1973 (38th meeting), on 25 May 1973 (39th meeting) and on 23 November 1973 (40th meeting).

The Community held a series of consultations on the main topics dealt with in these meetings, which were the system applicable to certain fruits and vegetables originating in the AASM, the application of generalized preferences in 1974 and negotiations with Brazil. It also gave detailed information on negotiations with the Mediterranean countries, multilateral trade negotiations within GATT and renegotiations under Article XXIV/6 of the GATT.

439. A joint team of EEC and AASM experts met on 22/23/24 May 1973 to examine a report on the marketing of AASM products in the Community Member States.

(b) The Parliamentary bodies of the Association

440. In accordance with the policy of active collaboration which the Association Council has maintained for several years with the Parliamentary conference of the Association and its Joint Commission, Mr Deogratias Gashonga, the Minister responsible for the coordination of economic, technical and financial affairs to the

President of the Ruanda Government and President-in-Office of the Association Council, represented the President at the 9th meeting of the Parliamentary Conference of the Association which was held at Kinshasa (Zaire) on 29/31 March 1973.

Mr D. Gashonga also participated in the proceedings of the Joint Commission which met on 27/28 March 1973 at Kinshasa. Mme. I. Petry, as President-in-Office, represented the Council of the Communities at these two meetings. In her capacity as President of the Association Council and the Council of the European Communities she was also present at the meeting of the Joint Commission which was held on 26/29 June 1973 in Bruges (Belgium).

441. At the Association Council meeting on 25 June 1973 the Community and the AASM expressed their pleasure at the positive results of the recent proceedings of the Parliamentary Conference and noted with interest the resolutions adopted at Kinshasa, namely the resolution on the 8th annual report of the Association Council, the resolution relating to the Commission's memorandum on the definition of a Community policy of development cooperation and the resolution on the coordination of the 24 Member States of the Association under international organizations for economic cooperation and development.

442. Mr Babacar Ba, the Senegalese minister for Finance and Economic affairs, in his capacity as President of the Association Council, was present at the meeting of the Joint Commission held on 26/31 October 1973 at Lomé (Togo). The Council of the Communities was represented at this meeting by its President-in-Office, Mr Jeans Christensen, the Danish Secretary of State for External Economic Relations.

2. ENLARGEMENT OF THE COMMUNITY AND THE ASSOCIATION

(a) Association of Mauritius with the Community

443. The Association Agreement whereby Mauritius acceded to the Yaoundé Convention, which was signed on 12 May 1972 at Port Louis, had not been ratified at the beginning of 1973, and both the Community and the AASM raised this matter on several occasions in the first half of 1973. At its meeting of 15 January 1973 the Council of the Communities also appealed to the Member States which had still not ratified the Agreement to accelerate the procedure so that

Mauritius could enjoy the advantages of the Agreement within the near future.

Subsequently all the signatory Member States reported that they had completed the necessary procedure and the Association Agreement entered into force on 1 June 1973.

444. At its meeting on 14/15 May 1973 the Council of the Communities adopted Regulation No 2798/73 concluding the Association Agreement. Under this Regulation (Article 3), save as otherwise provided, any mention in the Acts of the Institution of the Community of the 'Associated African States and Malagasy' shall also apply to Mauritius with effect from the entry into force of the Agreement.

(b) Effects of the enlargement of the Community on the institutions of the Association

445. 1973 presented the Community and the AASM with a new problem. The accession of Denmark, Ireland and the United Kingdom became effective on 1 January 1973 (thus increasing the number of Member States from six to nine). However, the ruling that the *status quo* would be maintained in relations with the Associated States, as laid down in Article 109 and subsequent Articles in the Act of Accession, avoided any disruption in consequence of this enlargement as regards trade and financial and technical cooperation.

446. As regards the institutions, the Representatives of the three new Member States as Members of the Council of the European Communities have seats on the Association Council and likewise on the Association Committee, with the proviso that by virtue of the provisions relating to the *status quo* the joint position of the Community on the affairs of the Association continues to be determined, as hitherto, solely by the original Member States.

However, at the 40th meeting of the Association Committee, held on 23 November 1973, when the Danish Permanent Representative in his capacity as President of the Permanent Representatives Committee was the Community spokesman, the AASM set out the legal undertakings and the considerations of principle which inclined them to the opinion that the Community spokesman should be a representative of one of the Member States which had signed the Yaoundé Convention. However, for practical reasons, and in view of the wish, which they reaffirmed, to maintain the closest relations with

the Community, they stated their intention not to oppose the arrangement which the Community had made.

3. COOPERATION AT INTERNATIONAL LEVEL

(a) *Exchange of views on the draft international cocoa agreement*

447. At the Association Committee's meeting on 2 February 1973, the AASM stressed the great psychological and political importance which it attached to the conclusion of the International Cocoa Agreement. The Agreement, which they hoped would soon come into force, was in their view a document which would help induce Governments to conclude other commodity agreements within UNCTAD. The Associated States therefore expressed their satisfaction at the signing of this Agreement and their appreciation of the vigorous role played by the Community, despite the refusal of the largest cocoa importer to participate; they also stressed that the Association had been a truly dynamic force at the negotiating Conference.

(b) *Intergovernmental consultations on commodities - Resolution 83 (III) of UNCTAD*

448. The Community observed, at the Association Committee meeting on 25 May 1973, that a timetable had been drawn up by the Secretary-General of UNCTAD in collaboration with the Director-General of the FAO with a view to the opening of intergovernmental consultations on commodities pursuant to Resolution 83 (III) of UNCTAD. This timetable covered two periods of nine months each; during the first (July 1973 - March 1974) consultations on the following products were planned: bananas, tobacco, cereals other than wheat, cotton, tungsten, leather and hides, rice, oleaginous products, tea and manganese.

It was proposed that, where products of interest to the AASM were concerned, EEC-AASM consultation meetings should whenever necessary be organized in the place concerned, in accordance with Protocol No 5 to the Yaoundé Convention.

The AASM agreed to this procedure of holding formal consultations with the Community in conjunction with any intergovernmental consultations on basic commodities.

(c) GATT

(i) Multilateral trade negotiations within the GATT

449. At the Association Council Meeting on 15 June 1973 the AASM began by recalling the main principles of the Multilateral trade negotiations which were about to open within the GATT as defined at the 28th meeting of the contracting parties to GATT held at Geneva in November 1972. The AASM considered that when drawing up the general scheme the Community should make every effort to keep to the general guidelines, and that under no circumstances should the offers which it made during these negotiations prejudice the interests of their countries which had had privileged relations with the Community for many years.

They also requested that there should be continuous information and consultation sessions within the Association during the preparatory phase and throughout the period of negotiation.

450. The Community drew the Association Council's attention to the guidelines laid down by the EEC Heads of State or Government at the Paris Summit Conference in October 1972, to the effect that a political willingness had been expressed at the highest level that the Community should participate with an open mind in the establishment of stable and balanced economic relations which would take account of the developing countries' interests.

The Community gave certain details of the factors likely to be taken into consideration, particularly concerning the possible effects of the negotiations on the Associated States, and stated that it would inform them if any new matters of interest to them arose.

It was agreed that consultations could take place, in accordance with Article 14 of the Yaoundé Convention and the Protocol No 5 to this Convention, at the third meeting of the GATT Preparatory Committee (July 1973) and the GATT Ministerial Conference (Tokyo, September 1973) when negotiations were due to begin.

451. Subsequently, in letters dated 16 July and 10 November 1973 the Commission forwarded for the Association Council's information the text of a general scheme drawn up by the Council of the Communities at its meeting on 25 and 26 June 1973 concerning the multilateral trade negotiations under the GATT, and the text of the attitude adopted at the GATT Ministerial Conference held in

Tokyo on 12/14 September 1973. At the meeting of the Association Committee on 23 November 1973 the Community made a further statement on this problem and made special mention of its desire not to lose sight of its obligations and undertakings to the Associated Countries during the GATT negotiations.

The AASM took note of this statement and expressed the desire to be regularly informed of any developments in this matter in view of the importance which they attached to these negotiations. They stated that they were prepared to keep in touch with the Community, as the Community had proposed, throughout the multilateral negotiations.

They also noted that the Community was planning to give negotiation Directives to the Commission and they expressed the wish to be informed of these in good time. In any case, they hoped that when the Community gave these Directives to the Commission it would take account of the interests of the Associated States.

(ii) Renegotiations under Article XXIV/6 of the GATT

452. In a letter dated 12 November 1973 the Community informed the AASM that following the enlargement of the Community and the alignment of the customs tariffs of the three acceding countries to the Common Customs Tariff, the Council of the European Communities at its meeting on 18/19 December 1972, had authorized the Commission to open negotiations under Article XXIV/6 of the GATT with the contracting parties concerned. In fact the Council had previously considered that the effect of consolidating the tariff of the enlarged Community would be that the concessions offered by the Community would be greater than the compensations which non-Community countries would receive under the provisions of Article XXIV/6. But since not all the GATT members had agreed with this during the negotiations, the Community considered that it ought to improve its original offer.¹

453. After the Community had issued its final statement at the Association Committee meeting on 23 November 1973 the AASM stated that they would like to have further details on the Community's offer and on the improvements which it planned to make to the initial offer. They repeated that they would find the Community's

¹ See paragraph 328 of this Review.

attitude incomprehensible if, when negotiating under Article XXIV/6, the Community forgot or neglected the legitimate interests of the AASM.

454. Subsequently, by a letter dated 12 December 1973, the Community forwarded to the AASM its additional offer which under the generalized preferences system opens a tariff quota of 2 000 tonnes of preserved pineapple chunks (B.T.N. No 20.06 B II) with a duty of 12%. However, the Community did not exclude the possibility of an improvement on this offer.

4. TRADE POLICY

(a) Generalized preferences in favour of developing countries

455. In implementation of Decision 35/71 of the Association Council relating to the information and consultation procedure laid down in Title I of the Yaoundé Convention and following the Association Council's deliberations on 10 October 1972 the Community sent a letter dated 18 December 1972 to the Association Council containing a series of proposed Regulations of the Council of the Communities and two draft Decisions of the Member States Government Representatives, met in Council, on the application during 1973 of generalized tariff preferences to exports of manufactured articles and semi-finished products from developing countries.

At the meeting on 2 February 1973 the AASM noted with pleasure that the Community had acceded in substance to the requests which they had made. However, they expressed regret that the Community's undertakings regarding procedure had not been observed and expressed the wish that in future the information and consultation procedure would be followed in accordance with the provisions of the Yaoundé Convention.

While it regretted the delay in the official forwarding of the proposals submitted by the Commission — although the AASM had been informed of these unofficially, the Community pointed out that the Regulations which had been adopted did not differ from these proposals on any point, apart from certain matters concerning the internal administration of the scheme.

456. At its meeting on 15 June 1973 the Community informed the Association Council of the decision in principle taken by the Council

of the Communities to include Romania as from 1 January 1974 in the countries enjoying generalized preferences granted by the Community. The final decision would be adopted by the Council of the Communities on the basis of the proposal which the Commission would submit for the application of generalized preferences for 1974.

The AASM wished to know the reasons, economic or otherwise, which had led the Community to waive the principles which had been adopted under UNCTAD whereby only the developing countries in the 'Group of 77' would enjoy the system of generalized preference. To their knowledge, Romania was not included in this group.

The Community stated that the draft Regulations would be submitted to the AASM for information before the end of the year and that they would be able to comment through the Association at that time.

457. In a letter dated 7 November 1973 the Community informed the Association Council of the Commission's proposals to the Council of the Communities concerning the application of the generalized preferences system for 1974.

At the meeting of the Association Committee on 23 November 1973 the Community gave details of the Community guidelines in this field, and argued that the enlargement of the Community implied the extension of its generalized preferences system to the three new Member States with the adjustments which that involved, taking account of the fact that one of them, the United Kingdom, was a major consumer of products from the developing countries. It also recalled its world-wide obligations, which had been reaffirmed in the Declaration of the Conference of Heads of State or Government in October 1972 and more recently in the ministerial declaration adopted in September 1973 in Tokyo by the GATT members. The Community institutions were also asked to improve the generalized preferences system and to encourage the further expansion and liberalization of world trade, without at the same time reducing the privileges which the Associated States enjoy.

At this meeting the Community also stated that at all stages of preparation of the Decisions it had already taken account of the interests of the Associated States as regards generalized preferences, that it had taken care not to call existing trade flows into question and that therefore the improvement in the system of preferences in favour of all the developing countries could not seriously affect exports from the Associated States to the Community.

458. As regards generalized preferences, the Associated States expressed surprise at the scale of improvements to the system. They wondered whether the sole reason for these improvements was the application of the system by the new Member States and whether the Community ought to undertake such a large-scale operation when other industrialized countries of equal size had not amended their offer or even implemented their own system of generalized preferences. The Associated States also commented on certain products of particular interest to them, namely cow and goat hides, preserved pineapples, veneered wood and plywood.

Following this exchange of views all these matters were examined very carefully by the Council of the Communities at its meeting on 3 December 1973 and technical solutions were implemented by the Community so as to satisfy the Associated States as far as possible in the concrete cases which they had raised (the limitation of tariff quotas, adjustments to certain ceilings, clauses for individual surveillance etc.).

The AASM were informed of these measures by a letter dated 19 December 1973.

(b) Information and consultation on the trade negotiations between the Community and Brazil

459. At the Association Committee's Meeting on 2 February 1973 the Community informed the Associated States that the Council of the Communities, at its meeting on 4/5 December 1972, had given its assent in principle to the opening of trade negotiations with Brazil with a view to concluding an agreement with that country. The Council had also agreed to adopt the final decision to open these negotiations, on the basis of a draft Directive after informing the AASM in accordance with Article 15 of the Yaoundé Convention.

Brazil had requested the inclusion in the negotiations of certain products of direct interest to the AASM, such as soluble coffee and cocoa butter, and some of indirect interest such as castor oil; the Community stated that it would be interested in the comments of the AASM at this stage.

460. The Associated States expressed their concern over tariff amendments which might possibly be made during negotiations with Brazil, particularly regarding cocoa butter and soluble coffee. They

recalled that the tariffs for tropical products had been one of the important topics in the 1969 Yaoundé Convention negotiations, when decisions had been made to amend Customs tariffs for raw coffee and cocoa beans, which had been implemented when the Yaoundé Convention came into force (for raw coffee, suspension of the 9.6% duty at 7%, it being understood that this suspension depended on the existence and satisfactory operation of an International Coffee Agreement; any failure of the Agreement to operate would have to be ascertained by the Council acting unanimously. The duty of 5.4% on cocoa beans had been suspended at 4%).

Accordingly, and in view of the suspension of the International Coffee Agreement, the Community should do nothing in this field *vis-à-vis* Brazil for the time being, least of all under the generalized preference system. Tariff concessions *erga omnes* should in no circumstances be contemplated.

In addition, the AASM had requested that they be consulted on the negotiating directives and expressed a wish that the matter should remain open throughout the negotiations with Brazil.

461. The Community took note of the AASM statements, which were included in the file submitted to the Council of the Communities, and undertook to keep the Associated States informed on the negotiations so as to give them the opportunity to request consultations if anything more concrete arose which might affect their trade.

Following this exchange of views the Community informed the Associated States by letter dated 15 March 1973 that at its meeting on 4/5 March 1973 the Council of the Communities had decided to authorize the Commission to open negotiations with the Federative Republic of Brazil. It also gave some indication of the topics to be covered by these negotiations.

462. At the meeting of the Association Committee on 25 May 1973 the Community reviewed the situation and stated that the initial phase of negotiations with Brazil, which were of an exploratory nature, could be considered as complete, and that the basis for a possible agreement had at that stage been examined from a technical point of view.

As agreed at the Association Committee's meeting on 25 May 1973 and the Association Council's meeting on 17 June 1973, the Community informed the AASM by letter dated 12 November 1973

that the Commission had submitted a recommendation to the Council of the Communities proposing additional negotiation Directives concerning cocoa butter and soluble coffee, and giving the main points of the proposals.

463. At the meeting of the Association Committee on 23 November 1973 the Community held consultations with the AASM on this matter. It defined the context of the proposed agreement and gave additional details on the proposals and the guarantees to be given by Brazil for avoiding disturbance of the traditional patterns of trade between the Community and the Community market.

The Community stated that the Member States considered that the commercial cooperation which would be established by the EEC-Brazil agreement and the fact that Brazilian policy on export prices would be kept under survey by the joint Commission, would be sufficient to avoid disruptions in the Market. If this were not the case the safeguards clause included in the system would be applied immediately.

464. The AASM drew the Community's attention to the fact that they were in no position to compete effectively with Brazilian exports of soluble coffee and cocoa butter. Subsequently, in a letter dated 19 December 1973, the Community informed the AASM that the Council of the European Communities had examined the matter closely at its meeting of 3-4 December 1973 and had retained the guidelines of which the AASM were aware, i.e. the partial and autonomous abolition of the duties of 9% for soluble coffee and 8% for cocoa butter within the limits of a Community tariff quota. However, in the particular interests of the AASM producers, it had been understood within the Community that when deciding on the amount and allocation of this quota among the different Member States, account had to be taken of the real needs of each country so as to avoid disturbance of the Market. The Commission would apply the usual rules in this matter to determine the amount of the Community tariff quota.

(c) Information on the agreements with the Mediterranean countries

465. At the Association committee meeting on 2 February 1973 the Community, at the request of the AASM gave a briefing on its negotiations with the Mediterranean countries. In particular it defined the extent of the agreements which had been signed with the Arab Republic of Egypt, the Lebanese Republic and the Republic of Cy-

prus. It also supplied information on the additional Protocols to the agreements with the Mediterranean countries following the enlargement of the Community. It then outlined its views for the future on the overall approach to relations between the Community and the Mediterranean countries as a whole. The Associated States noted the Community's declarations and reserved the right to comment later, on the understanding that the Community would keep the AASM informed of the progress of the negotiations, which should safeguard the interests of the Associated States.

466. At the Association Council's meeting on 15 June 1973 the Community stated that in implementation of the resolutions of the Summit of the Heads of State or Government in October 1972, the Council of the Communities had agreed in November 1972 to establish a cohesive overall policy towards the Mediterranean countries as a whole and also Jordan. In initiating this general approach, priority had been given to the three Maghreb countries, and also to Spain, Israel and Malta. Future agreements would have different sections, including one on trade and one on cooperation (and one on labour for the Maghreb countries).

After the Community had given details on these different sections, the AASM requested that the file should remain open and that the matter should continue to be included on the agenda of the Association bodies, in view of its importance in that the African countries were involved in the decision to make an overall approach concerning relations between the Community and the Mediterranean countries as a whole, and also since certain non-African countries were exporting processed agricultural products to the Community as well as industrial products, which were in direct competition with exports from the AASM.

For this reason they requested the Community not to take any measures in this field which might either prejudice their immediate interests or jeopardize the economic development of their countries, bearing in mind their real potential.

467. At the 40th meeting of the Association Committee on 23 November 1973, the Community stated that it was still not in a position to examine the outcome of the first phase of negotiations which had opened in July and which was completed in October, and that therefore it was impossible at this stage to add any details to the information given in June 1973.

The AASM took note of these statements and expressed the wish to be fully informed on all aspects of the negotiations with the Mediterranean countries and more specifically the African Mediterranean countries.

(d) Problems arising from the AASM consultation and information procedure

468. When consultations were held on the application of the generalized preferences system for 1974 and the negotiations with Brazil, at the meeting of the Association Committee on 23 November 1973, the AASM expressed their fears regarding the consultation procedure as followed by the Community, since it is only initiated at a stage when the Community's policies have practically been finalized.

469. The Community re-affirmed that it attached great importance to this procedure which it regarded as an essential part of the institutional mechanism in the field of trade policy, and recognized that because of the complexity of its own institutional mechanisms these particular consultations were taking place subsequent to the stage at which a common policy had been worked out, in many cases after long internal discussions on the basis of the Commission's proposals (which in the preparatory proceedings tried to take into account the interests of the AASM) and before the final decision of the Council of the Communities. At this stage it was sometimes difficult to decide what action to take on the comments of the Associated States because of the fear of jeopardizing certain finely balanced situations concerning the Member States, which in many cases had only been reached with great difficulty.

Since the consultations themselves provided an opportunity for defining to what extent and precisely in what way the interests of the Associated States might still be adversely affected, the Community could not agree that they were more a matter of form than real consultations. It emphasized that in the past these consultations had always had some results, and stated that its intention was that this should also be the case in the future.

At its meeting on 3-4 December 1973 the Council of the Communities instructed the Commission to re-examine the EEC-AASM consultation procedure and to make practical suggestions for its improvement.

(e) Treatment of agricultural produce and tropical products

- (i) Treatment to be accorded by the Community to certain fruits and vegetables originating in the AASM

470. A dispute had arisen between the Community and the AASM following the implementation by the AASM of provisions that certain fruits and vegetables originating in the AASM should enjoy duty free importation into the Community, but only during certain periods.

471. At the meeting of the Association Committee on 2 February 1973 the Associated States declared that at the level of the AASM Coordination Committee they found it impossible to make a decision on the recommendations put forward by Mr Jean Rey, who had been appointed mediator in this matter, or on the Community's position concerning the treatment to be accorded to certain fruits and vegetables originating in the AASM. Since the Association Council had offered its good offices, the AASM considered that they should begin to do so immediately. The Community considered that this situation should not be prejudicial to the interests of the Associated States after 1 March 1973 and stated that it wished to make a gesture while waiting for the Associated States to state their views. It explained that it had studied the possibility of applying the new time-table providing for the extension of the duty-free importation of certain fruits and vegetables originating in the AASM, provisionally, from 1 March 1973, on the understanding that it was waiting for the AASM to express their opinion. It hoped to be informed of this at the meeting of the Association Council in June 1973 at the latest, so as to be able finally to settle the issue. The AASM took note of the measures which the Community planned to take to avoid any hiatus in this matter with effect from 1 March 1973 and to ensure that the products concerned would not be liable to customs duty, until the dispute had been finally settled, which should be no later than the next meeting of the Association Council.

The Community followed up its statement by communicating to the Association Council Regulation 569/73, in the form of a letter dated 27 February 1973, which was adopted by the Council of the Communities on 26 February 1973, temporarily suspending customs duties on certain fruits and vegetables originating in the AASM.

472. At the meeting of the Association Council on 15 June 1973, the Community asked the Associated States for their comments on its intention of bringing a new Regulation into force as soon as

possible, which would be valid for the whole duration of the present Convention, and provide for the time-table for duty-free marketing to be extended in accordance with the second alternative devised by Mr Jean Rey in his capacity as mediator. The AASM were anxious to help the smooth running of the Association and in accepting the proposed amendment to the Regulation they stated that they were acting in the interests of the Association above all so as to preserve the spirit of the Association. However, they drew the Community's attention to the need to keep to the provisions of the Convention, and to the problem which this agricultural policy raised for the Association. The policy was becoming steadily less favourable to the Associated States, since the system applied to them was less favourable than for similar products from a country such as Greece, which was a third country in relation to the Yaoundé Convention. After consulting the European Parliament, on 8 October 1973 the Council of the Communities adopted Regulation No 2738/73 amending Regulation No 859/73 on the treatment to be accorded to certain fruits and vegetables originating in the AASM.

(ii) Treatment to be applied by the Community to sugar originating in the AASM

473. At the 13th meeting of the Association Council on 10 October 1972, the Community undertook, in response to requests from the AASM, to examine the possibility of determining a preferential quota for a small quantity of sugar originating in the AASM to be imported into the Community.

In a letter dated 8 May 1973, the Community informed the Association Council of its intention to adopt a Regulation whereby the levy applicable to the importation of sugar originating in the AASM into the original Member States of the Community would be reduced by 1 u.a./100 kg for an annual quantity of 8 000 tonnes, calculated *pro rata temporis*.

474. At the Association Committee meeting on 25 May 1973 and the Association Council meeting on 15 June 1973, the AASM recalled that they had requested a preferential price quota far larger than that proposed by the Community. They expressed surprise at the fact that this quota fell so far short of the 50 000 tonnes requested. The AASM stated that they welcomed the Community's intention finally to admit their sugar under preferential terms, but repeated that the quantities proposed were too small and quite inconsistent with their wishes and their previous position. They commented on

the mechanism provided for in the draft Regulation and also observed that the objective of the AASM sugar exporters was to have guaranteed access for a fixed quantity of sugar within the Community at a price fixed in advance and not related to world prices.

The Community recalled the statements which it had made at the meeting of the Association Council on 10 October 1972, to the effect that 'taking into account the undertakings made under Protocol No 22 of the Treaty of Accession, the procedure which would have to be devised by the enlarged Community in favour of the Commonwealth Associable States would apply under the same head and in the same way to the AASM sugar producers. It followed that the present situation, or the procedure which might be adopted for sugar under the 1969 Yaoundé Convention, did not in any way prejudice the procedure which would have to be followed for all the producer states under Protocol No 22 mentioned above'. The Community re-examined the matter and stated that it agreed with the AASM proposal to leave the file open for further discussions.

(iii) Protection of the description of 'natural vanilla'

475. At the meeting of the Association Council on 15 June 1973 the AASM repeated their comments on the problem raised by the description of 'natural vanilla' and asked what progress had been made on the proposed Directive on the approximation of provisions laid down by law, regulation or administrative action in the Member States concerning ice cream.

In reply to the AASM question the Community stated that there had been scarcely any progress, even though it was realized that they must wind up the excessively long discussions which had been held in specialist circles on desirable regulations within the general context of coordinating regulations in the Member States on the use of synthetic products in the manufacture of ice cream.

(iv) Effect of the suspension of the International Coffee Agreement on the CCT suspension measures regarding this product

476. At the meeting of the Association Council on 15 June 1973 the AASM recalled that when the Council of the Communities decided in 1969 to bring the suspension of the CCT duty on green coffee from 9.6 to 7%, it made this conditional on the proper functioning of the International Coffee Agreement. They asked what the Community's

intentions were, since from the beginning of 1973 all the economic clauses of this Agreement had been suspended.

The Community stated that the question would be examined very closely, bearing in mind the decisions which it had made in 1969 concerning the suspension of duty on coffee.

(v) Problems of promoting trade in products originating in the AASM

477. The Community played an active part in proceedings of the Working Party which on 22 October 1971 the Association Committee had instructed to examine the study on the promotion of trade in products originating in the AASM on the markets of the Community Member States. This study had been made by independent experts under the aegis of the Commission, at the request made by the Associated States in a meeting of the Association Council.

478. The Joint Working Party of experts which met in Brussels on 22-24 May 1973 was unanimous in emphasizing that the problems of trade promotion were a major factor affecting the growth of exports of products from the Associated States.

However, the two parties approached these problems from different points of view. The experts from the Associated States considered that trade promotion alone would not solve their difficulties in selling their products on the markets of the Community Member States, since the trade policies of the Member States were an obstacle to an accelerated expansion of exports from the AASM.

Although the Community experts did not deny the importance of trade policy they were of the opinion that they should keep strictly to the brief from the Association Committee, and confine themselves to examining the promotional measures which could be taken under Article 19 of the Yaoundé Convention and Article 4 of Protocol No 6 appended to the Convention. In taking note of the report from the Joint Working Party the Association Committee observed a divergence of opinion on the interpretation of the brief which they had been given.

The Community accepted that the Working Party whose prime objective concerned trade promotion, was also competent to look into and identify other relevant problems. The Commission would take note of these other problems so as either to examine them itself or to add them to the file with a view to future negotiations.

Since the Associated States were of the opinion that the Working Party ought to be able to examine all the aspects of the problem without necessarily coming to unanimous conclusions on all the problems identified, the Committee instructed both chairmen to liaise to find a solution. If this was not forthcoming the matter would be referred to a future meeting of the Committee.

(vi) Progress made by the Community laying down the maximum aflatoxine content in groundnut oilcakes

479. Exchanges of views were held at the meeting of the Association Committee on 2 February 1973 on work in trend within the Community on the problems of the maximum aflatoxine content of groundnut oilcakes. This problem is being dealt with by another department of the Council of the Communities.

(f) *Definition of the concept of originating products*

(i) Adoption of Association Council Decision No 46/73

480. To resolve the difficulties arising in the case of the export of certain products from Mauritius from the rules of origin applicable under the Yaoundé Convention, at its meeting on 15 June 1973 the Association Council, on the basis of a proposal from the Community, adopted Decision No 46/73 putting the definition of 'country of origin' into abeyance for 1973 and 1974 so as to take account of the particular position of Mauritius with regard to certain products of the textile industry. This means that certain textile products made in Mauritius falling under several tariff headings will be considered as products originating in Mauritius. A limited quantity of each of these products will be treated in this way in 1973 and 1974, and these will be spread over the different tariff classifications. On 15 October 1973 the Council adopted Regulation No 2810/73 implementing this Decision.

(ii) Application by the new Member States of Article 109(2) and Article 119(2) of the Act of Accession in trade with certain Associated States and Overseas Countries and Territories on the definition of the concept of originating products.

481. On 28 December 1973 the Council adopted Regulation No 3596/73 on the definition of the concept of 'originating products' providing for the implementation by the new Member States of Articles

109(2) and 119(2) of the Act of Accession in trade with certain Associated States and Overseas Countries and Territories.

The reason for adopting this Regulation was that as from 1 January 1974 the new Member States start to align their customs duties with the CCT. However, under the rules preserving the *status quo* laid down in Article 109(2) and 119(2) of the Act of Accession, alignment with the CCT must not lead to an increase in the rate of customs duty applicable in the new Member States to products originating in the AASM, the East African States or Overseas Countries and Territories.

At this stage it was seen to be necessary to have precise rules to determine the origin of products which would be liable for preferential treatment in the new Member States under the previous system.

(g) Consultation with the AASM which export bananas

482. Under the provisions of Annex XI to the Final Act of the second Yaoundé Convention, the Associated States which export bananas were consulted at a meeting on 7 June 1973 on their ability to supply, under appropriate conditions, all or part of the quantities of bananas for which the Federal Republic of Germany had requested an increase of the duty-free tariff quota which it enjoys for 1973 under the Protocol concerning tariff quotas for imports of bananas, appended to the Rome Treaty. These consultations and the offers submitted by the Associated States resulted in an agreement between the delegations of the Member States concerned that the additional tariff quota for 1973 would be 274 000 tonnes.

(h) Problems raised by the drought-stricken countries of the Sahel

483. At the meeting of the Association Council on 15 June 1973 the AASM issued a statement on the problems raised by the drought which is prevalent in certain countries of the Sahel, and proposed concrete measures to overcome them.

The Community took note of this statement and recalled the operations which it and the Member States had mounted to come to help the countries concerned under the food aid programme and the operations of the EDF. It stressed that there must be good coordination, with unequivocal support from the governments concerned, if

the actual projects were to be of maximum effectiveness and their scope defined exactly.

When approving the Community's budget for 1974 the Council, taking account of the recommendations of the Joint Commission and an amendment submitted by the European Parliament, also voted a credit of 35 million u.a. plus 5 million u.a. for aid to the countries of the Sahel and Ethiopia which were stricken by drought. The way in which this aid was to be used was subsequently laid down, and took into account that the inter-state anti-drought committee had been set up at Ouagadougou.

B — Overseas countries and territories

484. The Decision of 29 September 1969 of the Council of the Communities on the Association of the Overseas Countries and Territories is mainly implemented by the Regulations laid down for relations with the AASM. For this reason Regulation No 569/73 of the Council of 26 February 1973 temporarily suspending customs duties on certain fruits and vegetables originating in the AASM also applied to the Overseas Countries and Territories.

This is also true of Regulation No 2738/73 amending Regulation No 859/73 which the Council adopted on 8 October 1973 on the treatment to be accorded to certain fruits and vegetables originating in the AASM, and Regulation No 3596/73 of 28 December 1973 on the definition of the concept of 'originating products' for the implementation by the Member of Articles 109(2) and 119(2) of the Act of Accession in trade with certain Associated States and Overseas Countries and Territories.

C — Financial and technical cooperation

1. ADOPTION OF THE GENERAL ARTICLES AND CONDITIONS APPLICABLE IN THE OVERSEAS COUNTRIES AND TERRITORIES AND THE FRENCH OVERSEAS 'DÉPARTEMENTS'

485. In a Decision dated 24 July 1973 the Council adopted the text of the General Articles and Conditions for tenders for public works and tenders to supply financed by the EDF, which would be ap-

plicable in the Associated Overseas Countries and Territories and in the French Overseas 'Départements'.

In accordance with the precedent by which the taxes and customs duties applicable in these countries were laid down, the Council amended the decision of 29 December 1970 on the Association of the Overseas Countries and Territories with the EEC.

It should be noted that under Article 119 of the Act relating to the conditions of Accession and the adaptation of the Treaties signed in Brussels on 22 January 1972, the provisions on the General Articles and Conditions, which are basically analagous to those applicable in the AASM Decision No 42/71 of the Association Council), are not applicable to relations between the new Member States and the Associated Overseas Countries and Territories and the French Overseas 'Départements'.

The Decision of 24 July 1973 applies to all tenders for public works and supply of goods financed by the Community and concluded on or after 1 October 1973.

2. FINALIZATION OF THE ARBITRARY RULING LAID DOWN IN THE GENERAL ARTICLES AND CONDITIONS APPLICABLE IN THE AASM AND THE OVERSEAS COUNTRIES AND TERRITORIES AND THE FRENCH OVERSEAS 'DÉPARTEMENTS'

486. Article 55 of the General Articles and Conditions applicable in the AASM and in the Overseas Countries and Territories and French Overseas 'Départements' lays down that disputes arising over the contract awarding procedure for works or supplies financed by the EDF shall be resolved by arbitration, in accordance with a Regulation on arbitration to be adopted by the Association Council concerning the AASM and by the Council of the Communities concerning the Overseas Countries and Territories and French Overseas 'Départements', on the basis of a draft from the Commission.

On 29 December 1972 the Commission had submitted a 'Draft Regulation on Arbitration for public contracts financed by the European Development Fund' to the Council, and relevant proposed Decisions of the Council and the Association Council, and the preparatory work was done during 1973. In the first stage all the delegations, the Court of Justice and the EIB made their comments on the draft submitted by the Commission. The Council experts are at present proceeding on this basis.

3. EXAMINATION OF THE COMMISSION'S REPORT ON THE IMPLEMENTATION AND USE OF AIDS FINANCED IN THE ASSOCIATED COUNTRIES (1972)

487. The Commission's Report for the financial year 1972, written in accordance with Article 21 of the Internal Financial Agreement of 1969 on the Implementation and Use of Community Aids in the Associated Countries financed from the EDF was examined, along with the management reports on the financial and technical cooperation set up by the Commission for 1972, and in particular the report to the EEC-AASM Association Council. The examination of the Commission's report did not produce a formal Decision from the Council within the meaning of paragraph 3 of Article 21 of the Internal Financial Agreement, since the Commission had taken or agreed to take necessary measures to overcome the difficulties mentioned in its report.

Apart from certain decisions on procedure mainly concerning the content of the subsequent reports which the Commission would submit to the Council, it was agreed that certain of the guidelines which had emerged during the examination of the 1972 report would be included in the proposal which the Community would submit to the Associated States for finalizing the next draft Resolution of the Association Council on the general policy for financial and technical cooperation.

4. EXAMINATION OF THE COMMISSION'S MANAGEMENT REPORT ON FINANCIAL AND TECHNICAL COOPERATION IN THE OVERSEAS COUNTRIES AND TERRITORIES IN 1972

488. This report was examined at the same time as the other management reports made by the Commission for 1972. There were no particular comments and it did not give rise to a Council decision.

5. SCHEDULE OF CONTRIBUTIONS FROM THE MEMBER STATES TO BE CALLED UP IN 1974 FOR THE EUROPEAN DEVELOPMENT FUND (1969)

489. On 3 December 1973 the Council adopted the Decision laying down the timetable for contributions from the Member States to be called up in 1974 for the EDF (1969). In view of the expected financial situation of the EDF at 31 December 1973 and the forecasted position on liabilities to be provided for during 1974, the Council decided to call for 150 million u.a. in two instalments on 20 January and 1 July 1974 for the EDF (1969) in 1974.

130 million u.a. were paid in by the Member States in 1973, and so the total amount of contributions called for against the 905 millions u.a. for this fund is 280 million u.a.

6. DISCHARGE DECISIONS FOR THE FINANCIAL YEAR 1970

490. At its 252nd meeting on 24 July 1973 the Council adopted the Decision giving a discharge to the Commission in respect of the implementation of the transactions of the Development Fund for Overseas Countries and Territories (first fund) for the financial year 1970 and the Decision giving a discharge to the Commission in respect of the implementation of transactions of the European Development Fund (1963) (second EDF) for the financial year 1970.¹

D — The European Development Fund

491. In 1973 the European Development Fund Committee set up by Article 13 of the International Agreement on the Financing and Management of Community Aids, signed at Yaoundé on 29 July 1969, held twelve meetings. The favourable opinions delivered by the Committee concerned projects and programmes financed on the 2nd and 3rd EDF.

492. At its 75th meeting on 9 January 1973 the Committee delivered a favourable opinion on the following projects to be financed on the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Réunion	Irrigation and agricultural project in the 'Bras de la Plaine'	4 968 000
Republic of Rwanda	Electric line from Shagasha to Gisakura	400 000
Republic of Rwanda	Follow-up and extension of the tea-growing project Mwaga-Gisakura (additional finance)	390 000
Republic of Mali	Setting up a reserve for the N'Dana race	2 472 000
Islamic Republic of Mauritania	Improvements to the Kaedi airport	2 161 000
Republic of Togo	Water supply programme for villages (grants of material for maintaining the wells)	234 000
Malagasy Republic	Nossi-bé general training courses	612 000

¹ OJ L 228 of 16.8.1973.

At the same meeting the Committee also delivered a favourable opinion on the allocation of 208 000 u.a. from the EDF to credits open for technical assistance linked to the creation of the Economic Community of West Africa (ECWA). The decision on the financing of all the projects mentioned above were taken by the Commission on 23 January 1973.

493. At its 76th meeting on 6 February 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Togo	Rebuilding and extension of the Alokogbe palm oil mill	731 000
Republic of Dahomey	Extension of the 'Institut National Medicaux-social de Cotonou'	349 000
Republic of Dahomey	Extension to the superstructures in the fishing port of Cotonou	540 000
Ivory Coast Republic	Studies by the Regional Hospital Centre of Kerhoge	240 000
Ivory Coast Republic	Industrial plantation of heveas on the Ivory Coast	6 928 103 ¹
Ivory Coast Republic	Secondment of an expert to the post of technical director of the 'Société des Caoutchoucs de Côte d'Ivoire'	250 000
Martinique	Improvements to Route Nationale 2	2 071 000 630 154 ¹
Central African Republic	Public works vocational training centre	1 241 000

¹ In the form of a loan on special terms

At the same meeting the Committee also delivered a favourable opinion on the following project to be financed from the 2nd and 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Réunion	Improvement to the coast road :	326 798 ¹
	— from the 2nd EDF	1 424 000
	— from the 3rd EDF	1 795 995 ¹

¹ In the form of a loan on special terms.

The Decisions for financing all the projects mentioned above were taken by the Commission on 19 February 1973.

494. At its 77th meeting on 27 February 1973 the committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Burundi	Extension of the Tesa tea factory	1 510 000
Republic of Burundi	Extension to the tea growing project. Assistance to the tea office	9 096 000
Republic of Rwanda	Electrical infrastructure. High tension line from Kigoma to Jururu	6 600 000
Republic of Senegal	Development of cattle rearing in the woodlands and pastures zone (initial phase — irrigation of pasture land)	5 783 000

At the same meeting the Committee delivered a favourable opinion on the following project to be financed from the 2nd and 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Togo	Improvement and surfacing of the Lama Kara - Kande section (56 km) of the Ougadougou-Lomé road	
	— from the 2nd EDF	540 000
	— from the 3rd EDF	4 069 000

The decisions for financing all the projects mentioned above were taken by the Commission on 9 March 1973.

At the same meeting the Committee also delivered a favourable opinion on emergency interventions to certain African Associated Countries which were seriously affected by drought, to be financed from the 3rd EDF:

Country receiving aid	Total u.a. (approx.)
Islamic Republic of Mauretania	2 629 000
Republic of Senegal	2 114 000
Republic of Mali	7 126 000
Republic of Upper Volta	1 116 000
Republic of Niger	2 809 000
Republic of Chad	3 216 000
	19 010 000

The Decisions on the relevant finance were taken by the Commission on 5 March 1973.

495. At its 78th meeting on 20 March 1973 the Committee delivered a favourable opinion on the following project to be financed from the 2nd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Rwanda	Development of pyrethrum growing (additions and extensions)	638 500

At the same meeting the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Senegal	Interim agricultural development project in Casamance	717 000
Central African Republic	Surfacing of the Damara-Sibut road	5 005 000

The Decisions on the relevant finance for all the projects mentioned above were taken by the Commission on 30 March 1973.

496. At its 79th meeting on 12 April 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Chad	Water supply from Fort-Lamy (first urgent phase)	1 332 000
Republic of Chad	Resurfacing of Fort-Lamy - Massaguet road	486 000
Republic of Niger	Drinking water supply (wells)	1 754 000
Ivory Coast Republic	Agricultural development programme in the Kossou-Bandama region	3 316 000
French territory of the Affairs and Issas	Salines land development programme (additional development and extension of social facilities)	1 138 000
Malagasy Republic	Priority intervention for the provision of water to the populations in the south during the present exceptional drought	265 000

The Decision on the relevant finance were made by the Commission on 18 April 1973.

497. On 16 April 1973 the Commission was notified of the Committee's favourable opinion by written procedure the validity of which expired on 2 April 1973, and approved the grant of interest payments at an overall rate from the 3rd EDF to be applied to a loan from the EIB for the construction of a hotel at Libreville (Republic of Gabon) under the heading of aids not to be repaid. This grant is estimated at 237 641 u.a.

498. At its 80th meeting on 22 May 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Malagasy Republic	Setting up of 140 water points in the south	1 570 000
Democratic Somali Republic	Resurfacing of the Afgoï-Scialambot road	372 000
Republic of Mali	Seed treatment and preservation of harvested produce	1 048 000
Republic of Togo	Extension of the port of Lomé	4 681 000
Republic of Zaïre	Kenge-Kikwit road - section B - 108 km	11 108 000
	Sales promotion programme for tropical forest essences hitherto almost or completely neglected :	
	total :	688 000
	of which :	
Ivory Coast Republic		288 000
Republic of Gabon		100 000
United Republic of Cameroon		100 000
People's Republic of the Congo		100 000
Republic of Zaïre		100 000

The Decisions for the relevant finance were taken by the Commission on 5 June 1973.

499. At its 81st meeting on 19 June 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Zaïre	Extension of the agricultural revival to Eastern Kasai	2 619 000
Malagasy Republic	Development of Lower Mangoky (3rd phase)	11 163 000

At the same meeting the Committee delivered a favourable opinion on the grant from the 3rd EDF to the 'Société Dakar-Marine' (Senegalese Republic), of 108 000 u.a. as a contribution to the capital risks fund and 864 000 u.a. as *quasi* capital. The decisions on the relevant finance for all the projects mentioned above were taken by the Commission on 29 June 1973.

500. At its 82nd meeting on 10 July 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
United Republic of Cameroon	Setting up of an agricultural and industrial palm tree complex at Dibombari	2 913 000 8 850 000 ¹
United Republic of Cameroon	Extension of the sugar-refinery of the 'Société Sucrière du Cameroon' (SOSUCAM) (acquisition of shareholding)	541 000
Ivory Coast Republic	Surfacing of San Pedro-Issia road	6 842 000 ¹
United Republic of Cameroon	Improvement and surfacing of the Mutengene-Bolifamba and Banga-Kumba section of the Victoria-Kumba road	3 241 000

¹ In the form of a loan on special terms.

Country receiving aid	Project	Total u.a. (approx.)
Republic of Zaïre	Revival of Tea-growing at Kivu	4 447 000
	Secondment of seven instructors for training	
	total :	355 000
	of which :	
Ivory Coast Republic		82 000
Republic of Togo		273 000
Islamic Republic of Mauritania	Communications infrastructure of the tourist complex on the Nouakchott beach	983 000

At the same meeting the Committee also decided to grant from the 3rd EDF interest payments at an overall rate amounting to 239 674 u.a. to be applied to a loan from the EIB to SOSUCAM (Cameroon) for extensions to its sugar factory and refinery.

At the same meeting the Committee also delivered a favourable opinion to the following project, to be financed from the 2nd and 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
United Republic of Cameroon	Setting up of rural development perimeters in the north-eastern zone of La Benoué	
	— from the 2nd EDF	637 000
	— from the 3rd EDF	3 972 000

The Decisions for the relevant finance were taken for all the projects mentioned above by the Commission on 24 July 1973.

501. At its 83rd meeting on 25 September 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Central African Republic	Development of the Lobaye-Oubangui confluence	918 000
Martinique	Irrigation of south-east Martinique (1st phase)	1 546 000
Mauritius	Extension of the University of Mauritius	1 260 000
Islamic Republic of Mauretania	Construction of a multi-purpose clinic at Nouakchott and technical assistance in organizing the hospital maintenance department and personnel training	454 000
Islamic Republic of Mauretania	Construction of educational building	2 100 000
Republic of Upper Volta	Development of 150 hectares of open-country downstream of rural dams	569 000
Republic of Chad	Bridge over the Ba-ili	540 000

The Committee also delivered a favourable opinion on a general project designed to help all the AASM. This is an aid for the marketing and sales promotion of AASM products in the form of the finance for a programme allowing the AASM to participate in trade fairs in 1974 and 1975, the total amount is 2 550 000 u.a. (from the 3rd EDF). It also delivered a favourable opinion on projects to help all the AASM, Overseas Countries and Territories and the French Overseas 'Départements'. There are general authorities to commit 4 500 000 u.a. (from the 3rd EDF) to finance technical cooperation projects and aids for marketing and 500 000 u.a. to finance aid to carry out and supervise the work.

The Decisions for the relevant finance for all the projects mentioned above, with the exception of the Decision on the development of Lobaye-Oubangui confluence in the Central African Republic

which was adopted on 26 September 1973, were taken by the Commission on 10 October 1973.

502. At its 84th meeting on 30 October 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Senegal	Water supply to villages	3 961 000
Republic of Burundi	Technical assistance and tea factory for the Tora plantation	391 000
The Archipelago of Comoro	Modernization of the main roads in Anjouan and Mayotte	2 143 000

At the same meeting the Committee delivered a favourable opinion on the granting of an overall total of 94 000 u.a. from the 3rd EDF to the 'Courrier de l'Association' for the period 1 January to 31 December 1974.

The Decisions on the relevant finance for all the projects mentioned above were taken by the Commission on 14 November 1973.

503. On 10 October 1973 the Commission was notified of the favourable opinion of the Committee and decided to grant from the 3rd EDF an additional 76 000 u.a. for the Bobo-Dioulasso-Faramana road project in the Republic of the Upper Volta.

504. At its 85th meeting on 20 November 1973 the Committee delivered a favourable opinion on the following project, to be financed from the 2nd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Ivory Coast Republic	Supply of drinking water (200 wells in the north)	1 116 000

It also delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Central African Republic	Bangui water supply	5 923 000
Central African Republic	Integrated development programme in the cotton zone	1 041 000
Malagasy Republic	Tea plantation at Salvambavy	4 321 000

It delivered a favourable opinion on the following project to be financed from the 2nd and 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Niger	Development of rice-growing in the Niger valley	
	— from the 2nd EDF	1 440 000
	— from the 3rd EDF	1 260 000

The decisions on the relevant finance were taken by the Commission on 3 December 1973 except for the Decision relating to the development of the cotton zone in the Central African Republic which was taken by the Commission on 20 December 1973.

505. At its 86th meeting on 14 December 1973 the Committee delivered a favourable opinion on the following projects to be financed from the 3rd EDF:

Country receiving aid	Project	Total u.a. (approx.)
Republic of Mali	Development of da-growing	1 872 000
People's Republic of The Congo	Extensions to the port of Brazzaville	198 000

At the same meeting the Committee also delivered a favourable opinion for 121 000 u.a. to be allocated from the 3rd EDF for the programme of symposia. It also delivered a favourable opinion on the allocation of 261 000 u.a. to open credits for technical assistance in connection with the setting up of the West African Economic Community (WAEC).

The decisions for the relevant finance were taken by the Commission on 20 December 1973.

E — The East African States (Kenya, Uganda, and Tanzania)

506. During the period covered by this review the EEC-East Africa Association Committee has continued to cooperate in the manner necessary to the smooth running of the Association, and has performed certain of the functions delegated to it by the Association Council (Article 17 of the Internal Regulation of the Association Council). The Association Committee's work during the period under review has been mainly concerned with the problems arising from the implementation of the Arusha Agreement.

507. The Community supplied the Association with certain items of information, under Article 13 of the Arusha Agreement. In addition, at the meeting of the Association Committee on 19 June 1973 in Nairobi, the contracting states submitted comments on the participation of the representatives of the new Member States in the proceedings of the Committee.

The Community gave details concerning the legal aspects of this participation.

1. TRADE

(a) *The treatment to be accorded to certain fruits and vegetables originating in the Member States of the East African Community*

508. The Community informed the East African Member States that at its meeting on 26 February 1973 the Council of the Communities had adopted Regulation 570/73 temporarily suspending customs duties on certain fruits and vegetables originating in the United Republic

of Tanzania, the Republic of Uganda and the Republic of Kenya. It submitted the Regulation in question, which entered into force on 1 March and was valid until 31 May 1973, for the information of the Association Council.

At the meeting of the Association Committee on 19 June 1973 the Community informed the East African Member States that by analogy with the procedures which had just been adopted under the Yaoundé Convention on the treatment to be accorded to certain fruits and vegetables originating in the AASM it was planning to improve the treatment to be accorded to certain fruits and vegetables originating in the East African States until 31 January 1975 by providing for the time-table for duty-free entry into the Community to be extended. When it began consultations with the East African States the Community specified that this extension, information on which had been given to the African States, would mean a certain improvement in the treatment of the products concerned which had only partially been effected in the provisional Regulation suspending customs duties.

509. The African States took note of the new Regulation planned by the Community, but reiterated their previous request, i.e. that their fruits and vegetables should enter the EEC duty-free throughout the year and not be restricted to a time-table (seasonal restrictions), that the fruits and vegetables which were not included in Regulation No 860/72 should be included in the new Regulation, and that as regards the concept of 'economic interest' the Community should be obliged also to take account of previous exports of these products originating from the African States to all countries as well as of their planned or potential production.

510. In reply to these comments the Community emphasized that the relaxation of the restrictions in the time-table constituted an important advance which to a large extent took account of the African States' requests. The Community gave its provisional approval to moolis and karelas being duty-free, regardless of their tariff classification. The Community stated that the question of the 'economic interest' of the African States was being studied within the Community and that some action might be taken at a later date.

Furthermore the Community emphasized the advantage of promoting trade in fruits and vegetables out of season and recalled that there were professional bodies which handled these matters.

511. As regards consultation on the amendments to Regulation (EEC) No 860/72 the African States took note of the Community's memorandum and stated that they would comment on it later.

The Council of the Communities consulted the European Parliament and on 8 October 1973 adopted Regulation No 2739/73 amending Regulation (EEC) No 860/72 on the treatment to be accorded to certain fruits and vegetables originating in the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya.¹

(b) Plant health and veterinary regulations applicable in the EEC to products originating in the East African States

512. On several occasions the East African States had raised the problem of the application by certain states of plant protection regulations to the import of fruits and vegetables from them.

The department concerned supplemented the information which it gave at the meeting by a letter dated 28 May 1973 to the Association Council, in reply to the request from the East African States for the text of the ministerial decree on the importation and transit of vegetable produce in the territory of the country concerned.

At the meeting of the Association Committee on 19 June 1973, the East African States stated that they were studying the communication from the authorities concerned and observed that other countries who were in the same position as regards plant health regulations (the Canary Isles and Somalia) were exporting products to the country in question which were sometimes refused by this country when they came from the East African States. They, therefore, still considered that these measures constituted discrimination against their exports and that if they were made a little more flexible it would be possible in future to export greater quantities of these products to this country.

513. The Community recalled the large number of statements which it had already made on this matter and again drew the attention of the East African States to the fact that the authorities concerned, who were engaged in re-examining these measures, were prepared to offer to the East African States all the technical assistance

¹ OJ No L 282 of 9.10.1973.

necessary regarding the application of the plant health regulations in force in the country concerned to their products. The Community emphasized the authorities' liberal attitude towards the application of these regulations, which were not discriminatory.

514. In reply to one of the requests from the East African States for a statement on the plant health and veterinary regulations in force in other Member States the Community instructed the Commission to set down, for the Association Council's attention, the main regulations in force in this field, taking account of the progress made in the process of harmonization at present taking place in the Community.

(c) The amounts in Protocol No 2 of the Arusha Agreement

515. At the meeting of the Association Committee on 19 June 1973 the East African States stated that since their capacity for exporting canned pineapple, non-roasted coffee and cloves was fairly limited, and since this situation could not change radically from one day to the next, there was no real justification for maintaining the system of amounts laid down in Protocol No 2 of the Arusha Agreement, since this was defeating its own object.

The East African States therefore asked the EEC Member States to review the whole system of amounts, taking account of its manifest shortcomings and to abolish it completely if necessary. If this was not possible the East African States requested the Community to apply it in a flexible manner.

516. In its reply the Community made a certain number of points, some of which had been developed at previous meetings of the Association Committee or Council, namely that the Arusha Agreement, including its Protocol No 2, was a text which had been signed and ratified and which should be adhered to. Protocol No 2 laid down amounts above which the Community was empowered to take safeguard measures, without however being bound to do so. Protocol No 2 also constituted a guarantee for the East African States since the safeguard measures could not be applied if the amount was not reached, since any safeguard measures were not intended to fix quotas but to re-establish in part or completely, the Common Customs Tariff duty. The Community had therefore shown a certain latitude in applying the Protocol, as evidenced by the arrangement made at the Association Council meeting on 20 February 1972 in Nairobi for canned pineapples.

517. The Community also stated that according to its statistics it appeared that the rate of sales and the conditions under which canned pineapples from East Africa were sold in Community markets suggested that the system was working satisfactorily, and not causing any disruptions in traditional trade patterns, and the Community considered that they had been as flexible as they needed to be in applying it while still adhering to the provisions of Protocol No 2. However, the Community drew the attention of the Associated States to the fact that they should not conclude that the Community could not be led to take the safeguard measures provided for in Protocol No 2, if it should prove necessary.

518. The East African States took note of this statement and again expressed their wish that the Community should apply the provisions of Protocol No 2 in a flexible manner and take account of the need for full consultations before revoking the duty free entry provided for in the Protocol.

It should be noted that during 1973 the Community took no safeguard measures regarding the import of canned pineapples or non-roasted coffee from the East African States.

(d) Certain quantity restrictions imposed by the Member States

519. On several occasions the East African States raised the problem of certain quantity restrictions which were still imposed by the Member States, and in particular those imposed by one of the Member States on canned pineapples from the East African States.

At the meeting of the Association Committee on 19 June 1973 an exchange of views on this matter was held, and particularly on the compatibility of the national quota system for canned pineapples as applied by the Member State concerned, with the Arusha Agreement and in particular Article 5(1). Details were also given on the total amount opened by the Member State in question for granting import licences for canned pineapples from the East African States. The East African States commented that the quotas allocated to Kenya were hardly sufficient for this country, and were certainly not sufficient in view of the potential export capacity of the three states. They took note of the statements made by the Community, which also declared its intention of making a file on the various matters raised.

(e) Amendments made by the East African States to the Annex to Protocol No 3 of the Arusha Agreement

520. At the fifth meeting of the Association Committee on 19 June 1973 the Community stated that it had taken note of the communication from the East African States on 16 August 1972 on the amendments which they had made to the Annex to Protocol No 3 of the Arusha Agreement concerning the products for which the East African States had granted certain concessions to the EEC.

2. INFORMATION ON TRADE POLICY AND ASSOCIATION POLICY MATTERS

(a) Information on the EEC - Brazil negotiations

521. In accordance with Article 13 of the Arusha Agreement, the Community informed the East African States by letter dated 15 March 1973 that the Council of the Communities had decided at its meeting on 4-5 March 1973 to authorize the Commission to open negotiations with the Federative Republic of Brazil. It also gave some indication of the subject matter of these negotiations. The Community went on to mention certain items which had been discussed in the exploratory phase which might concern the Member States and assured them that it would inform them in good time of the draft Directives to be adopted by the Council, so that they could make any comments, and that the file would therefore remain open.

The East African States noted this information and asked the Community to keep them informed, particularly on matters which had been discussed during the negotiations with Brazil which might affect their interests. In a letter dated 13 November 1973 the Community informed the Association Council, for the information of the East African States, of the additional negotiation Directives on this matter and gave the main points of the tariff amendments laid down for cocoa butter and soluble coffee.

(b) Information on current GATT negotiations

(i) GATT multilateral trade negotiations

522. In implementation of Article 13 of the Arusha Agreement the Community submitted a letter dated 13 November 1973 to the Association Council, for the information of the East African States, containing

the text of the overall approach drawn up by the Council of the European Communities regarding the GATT multilateral negotiations and the Statement of the Ministers approved by the GATT Ministerial Conference which was held in Tokyo on 12-14 September 1973, in which the Community's position is stated.

(ii) Renegotiations under Article XXIV/6 of the GATT

523. In accordance with the provision of Article 13 of the Arusha Agreement the Community submitted to the Association Council, for the information of the East African States, the text of its additional offer made during the renegotiations under Article XXIV/6 of the GATT, in a letter dated 12 December 1973. It indicated that this offer followed the original offer decided on by the Council of the European Communities in 1972 which had been necessitated under the terms of the GATT by the enlargement of the Community and the alignment of the customs tariffs of the three acceding countries with the Common Customs Tariff.

In formulating this offer the Community had taken account as far as possible of the interests of the Member States of the East African Community, by limiting the concessions so as not to affect their trade.

(c) *Information on the Community's application in 1974 of the generalized tariff preferences*

524. In implementation of Article 13 of the Arusha Agreement the Community sent to the Association Council for the information of the East African States the documents concerning the Community's application in 1974 of the generalized tariff preferences in favour of exports from developing countries. This was sent in the form of a letter dated 12 November 1973.

F — Application of Protocol No 22 of the Acts of Accession

(Relations with the AASM and the independent developing Commonwealth countries in Africa, the Caribbean and the Indian and Pacific Oceans).

1. PREPARATORY WORK

525. The first chapter of Protocol No 22 of the Acts of Accession lays down in its first paragraph that the EEC shall offer the independent Commonwealth countries listed in Annex VI to the Act of Accession the possibility of ordering their relations with the Community in the spirit of the declaration of intent adopted by the Council at its meeting held on 1-2 April 1963 according to one of three different formulae.

In paragraph 2, second sentence, the Community proposes to these countries that the negotiations envisaged for the conclusion of agreement on one the three formulae contained in the offer should begin as from 1 August 1973.

526. The first paragraph of Chapter II also lays down that as regards the Association agreements to be made on the expiry of the Convention of Association signed on 29 July 1969, the Community is ready to pursue its policy of association both with regard to the AASM and the independent developing Commonwealth countries which become parties to the same Association.

Paragraph 2 states that the accession of the new Member States to the Community and the possible extension of the policy of association should not be the source of any weakening in the Community's relations with the AASM, which are parties to the Convention of Association signed on 29 July 1969.

527. Furthermore the provisions of Article 62 of the Yaoundé Convention and Article 36 of the Arusha Agreement lay down that negotiations should begin as from 1 August 1973 between the Community and the states associated with the Yaoundé Convention and the Arusha Agreement, with a view to setting up a new association of these countries.

On 4 April 1973 the Commission therefore sent a memorandum to the Council on future relations between the Community, the AASM as constituted at that time, and the countries of Africa, the Caribbean, and the Indian and Pacific Oceans, mentioned in Protocol No 22 of the Acts of Accession.

The Council put forward a certain number of general principles which ought to form the basis of the new association, particularly in the field of trade, the implementation of Chapter III of Protocol No 22, financial and technical cooperation, cooperation on establishment

and provision of services, regulations on external payments and capital movements and the institutions.

528. The Council of the Communities held an initial exchange of views on this memorandum at its meeting on 14-15 May 1973. It considered that the Community should submit to all the Associated and Associable States as complete and as wide-ranging a model association agreement as possible, designed to interest the greatest number of them. This model agreement should conform to the Community's undertakings under the Association agreements and Protocol No 22 of the Acts of Accession.

The Council accepted that any States which did not wish to conclude an agreement with the Community using this model could negotiate a different agreement later under Protocol No 22. The Council also decided to send a letter to the Heads of State or Government of the countries affected by the implementation of this Protocol, inviting them to a conference to be held at the end of July.

It gave its assent to the contents of this letter at its meeting on 4 June 1973.

529. At this meeting the Council examined the case of five independent states in the southern Sahara, namely Ethiopia, Guinea, Equatorial Guinea, Liberia and the Sudan. Keeping to the spirit of its Declaration of Intent on 1-2 April 1963 it decided that if these states signified their interest in participating in negotiations the Community would look favourably on their request.

530. At its meeting on 23-24 July 1973 the Council, mainly on the basis of letters or 'Notes Verbales' which it had received from Algeria, Morocco, Tunisia and the Arab Republic of Egypt, decided to invite these countries to send representatives as observers to this meeting of the conference.

531. In its meeting of 4 June 1973, the Council also decided to make the Commission responsible for conducting the negotiations, under the usual conditions, on the understanding that procedures would be devised for respecting the individual powers of the Member States, particularly as regards the financial aspects of the negotiations.

532. The procedure for opening the negotiations laid down in Article 62 of the Yaoundé Convention gave rise to an exchange of views between the Community and the AASM at the meeting of the

EEC-AASM Association Council on 15 June 1973, which had been prepared by the Council of the Communities on the same day. The Community supplied information on the letter of invitation addressed by the President of the Council to the Heads of State or Government of the Associated or Associable States inviting them to the opening conference on 25-26 July 1973 and also on the objectives of the conference.

533. The AASM first of all recalled the provisions of Articles 61 and 62 of the Yaoundé Convention, and asked for the date of 1 August 1973 to be observed for the opening of the negotiations laid down in the Yaoundé Convention, since any delays would mean a fairly long transition period which would be detrimental to their interests. They also raised questions about the opening conference and the topics which the Community intended to discuss at that time. Finally they expressed a wish for precise information on the content of the three formulae offered to the Associable Countries named in Protocol No 22, and on the Community's attitude towards the concept of a free trade area which up till the present had constituted one of the bases of the EEC-AASM Association.

534. The Community observed that the opening conference should provide an occasion for initial contacts between the Community and the Associable States, mainly designed to brief the Associable States more fully on the actual negotiations, having regard to the political importance which the Community and the Associated States attached to concluding as broadly-based an association as possible. The Community recognized that in view of the date of expiry of the Yaoundé Convention these negotiations ought to begin as soon as possible after the summer recess and in any event before the end of September 1973.

535. The AASM solemnly reaffirmed their political will to have with them at the negotiating table for the renewal of the Yaoundé Convention the largest number of Associable States who had expressed an obvious interest in the formula for cooperation with the EEC.

536. Furthermore, at the meeting of the Association Committee on 19 June 1973 the Community informed the Member States of the East African Community that at its meeting of 4 June 1973 the Council of the European Communities had invited the Heads of State or Government of Associated or Associable States to send a representative to an Inaugural Conference which was planned to take place

in Brussels on 25-26 July 1973. It recalled that the text of this letter had also been sent to the President of the EEC-East African Association Council.

2. THE MINISTERIAL CONFERENCES ON 25-26 JULY AND 17-18 OCTOBER 1973

537. At the conference held on 25-26 July 1973, which had been arranged by the Council of the Communities at its meeting on 23 and 24 July 1972, all the AASM and the countries listed in Annex VI to the Acts of Accession were represented, as well as Ethiopia, Liberia and the Sudan. Subsequently, Guinea attended the conference on 17-18 October 1973.

538. The North African countries mentioned above also attended the July conference as observers.

539. These conferences follow the declaration of the Heads of State or Government of the Communities at the October 1972 Summit. At that time the Community had stated that it was aware of the problem raised by the continuing underdevelopment in the world. It had affirmed its will to increase its efforts in the form of aid and cooperation with the most underdeveloped countries, as part of a general policy towards developing countries. It had stated that it would take particular account of the concerns of those countries for which geography, history and the undertaking signed by the Community created special responsibilities.

540. The Community therefore proposed to negotiate a general agreement on the basis of a single model itself based on the first formula given in Protocol No 22. This formula seemed best suited to the interests of the other States. However, the Community stated that if this single model did not fulfil the expectations of some of the other States, it would be prepared to negotiate at the appropriate time other types of relations based on the second or third formula in Protocol No 22.

The Community considered that the single model should in the first instance preserve the achievements and the fundamental principles of the Association, which however should not mean stagnation and lack of innovation. The actual text of Protocol No 22 also states this. With this in mind the Community declared its

readiness to offer a contractual agreement covering trade, financial cooperation and institutions to the States which were interested.

As regards trade, there could be provision for the free entry of the main products from the Associable States into the Community market. Individual arrangements would have to be made during negotiations for similar and competing products.

Trade arrangements would have to be on a contractual basis which would ensure their stability so as not to be called into question by non-Community States, particularly as regards the GATT. The Community had not yet finalized its ideas on the other aspects of the trade arrangements to be included in the new Convention.

541. The Community also emphasized that it would be at pains to safeguard the interests of all the countries mentioned in Protocol No 22 whose economies depend to a considerable extent on the export of basic products and particularly sugar. It stated that it was fully aware that fluctuations in export earnings often had a detrimental effect on the development programmes in the countries concerned. The Community therefore stated that it was prepared to study in conjunction with the other States what measures were needed to mitigate the ill-effects of these fluctuations, either by a system of stabilizing earnings or some other system, and investigate realistic and effective solutions within the limits of the financial constraints.

542. The Community stated that financial and technical cooperation was an important factor in the Association, and described the main procedures. The financial and technical procedures ought to be developed in the light of experience and of the views expressed by the negotiators. In particular, account should be taken of the importance of encouraging regional cooperation, the particular needs of the less well-endowed Associated States and employment problems in the countries concerned.

The Community also stated that the Agreement should ensure that the AASM in general enjoy privileges equal to those which they enjoy at present and that it should place the new Associated States on an equal footing with them.

543. The Community stated that to take account of the contractual nature of the Association and also of Protocol No 22 the Association should have joint institutions. It would propose that these institutions should comprise, as at present, an Association Council, assisted by

an Association Committee, a Parliamentary Conference of the Association assisted by a Joint Commission and a Court of Appeal.

The composition, powers and workings of these institutions would be determined in the light of experience and the need to adapt them to the requirements of an enlarged and renewed Association.

544. In conclusion, the Community considered it desirable to limit the term of a future Agreement to five years, so as to take account of the rapid developments in economic and political world relations. A limit of this sort would enable the agreement to be renegotiated when appropriate to adapt its provisions to the subsequent requirements of cooperation between the Community and its associate members.

545. In reply to the Community's statement, the spokesmen for the group of African countries and for the Pacific and Caribbean countries at the July conference stated their attitudes towards the continuing problems of cooperation in development. They spoke mainly on general principles and the negotiating procedure, trade arrangements, the implementation of Chapter III of Protocol No 22, financial and technical cooperation, regional cooperation, etc.

546. Mr Nørgaard, President of the Council of the European Communities and Community spokesman at these conferences, emphasized the historic importance of the conferences, which had demonstrated that it was possible for relations to exist between developing countries and industrialized countries on a basis of mutual understanding and respect for each other's independence.

547. It should be stated that in July the Community was no longer dealing with individual countries, since the countries had formed three groups, each with its own spokesman. In October a single spokesman explained the attitude of the three groups of countries invited to attend.

It was noted that the negotiating parties should endeavour to conclude the negotiations in good time so that the new agreement could enter into force on 1 February 1975.

548. Furthermore it was understood that as regards the level of negotiations the possibility was not excluded of holding negotiating sessions at ministerial level by joint agreement, if necessary.

The conference on 17-18 October 1973 was arranged by the Council of the Communities at its meeting of 15 October, when it also adopted the Directives to the Commission on negotiation.

3. THE NEGOTIATIONS

(a) Directives

549. At the meeting on 15 October 1973 the Council of the European Communities and the Government Representatives meeting in Council adopted the Decision on the opening of negotiations with the States invited to the Conference.

The object of these negotiations is to establish, on the basis of a single model itself based on the first formula in Protocol No 22, as full an Association as possible between the countries in question and the Community, when the Yaoundé Convention expires.

550. The negotiations will be conducted by the Commission in consultation with the Member States Representatives under the Directives adopted by the Council and with the proviso of the possibility of further Directives.

The Directives adopted by the Council concern trade arrangements, financial and technical cooperation, regulations concerning establishment and provision of services, external payments and capital movements, the institutions of the Association and certain general and final provisions.

(b) Negotiating procedure

551. At the first meeting of the negotiating parties which was held at ambassador and plenipotentiary level on 22 October 1973 the following Decisions were adopted concerning negotiating procedure. Two working parties would be set up, one on trade and the other on financial and technical cooperation, other sub-Working Parties might be set up on specific problems (rules of origin, agricultural produce, non-tariff barriers, etc.), a Joint Editorial Committee would be set up with no negotiating powers, and the office of Chairman would be held in rotation by the groups of States participating in the negotiations.

(c) First phase of the negotiations (October-December 1973)

552. During the first phase of the negotiations which opened on 22 October and closed on 14 December 1973 meetings at plenipotentiary and ambassador level took place on 22 and 23 October, 21 and 23 November and 6 and 14 December 1973.

During this same period the Working Party on Trade (rules of origin) met on 7 December, the Working Party on financial and technical cooperation on 11 December 1973 and the Working Party on trade (non-tariff obstacles and products covered by the common agricultural policy) on 12 December 1973.

CHAPTER IX

Institutional, budgetary and administrative affairs - Miscellaneous

A — Relations between the European Parliament and the Council

553. Paragraph 15 of the Declaration adopted by the Conference of the Heads of State or Government of the Member States or Acceding States of the European Communities, held in Paris on 19-21 October 1972, instructed 'the Council and the Commission to implement without delay practical measures to strengthen and improve the relations of the Council and the Commission with the European Parliament'.

554. At its 257th session of 15 October 1974 the Council adopted a number of measures to improve not only its relations with the European Parliament but also the attitudes governing these relations.

555. The Council had always reserved the right to decide whether or not it would reply to the written or oral questions as well as to those raised at 'question time', a procedure instituted by the European Parliament and which the Council, at its 231st meeting had immediately agreed to take part in. The Council undertook to reply to all these questions in future. It also stated that it was prepared to take part in the follow-up to question time, and as far as it was able, in a debate on any of the replies given by the Council if the European Parliament so wished.

556. The European Parliament had always been anxious to participate more fully in concluding trade agreements. The most recent demonstration of this frame of mind was expressed in a Resolution which it adopted on 13 February 1973. In response to this wish, the

Council adopted a procedure whereby the Parliament could make its opinion known in one form or another at each stage of the negotiations.

Prior to the opening of negotiations concerning a trade agreement with a non-Community country and in the light of information supplied by the Council to the appropriate Parliamentary Committees, a debate could, where appropriate, be held in the European Parliament.

When negotiations were completed, but before signing the Agreement, the President of the Council or his representative would confidentially and unofficially acquaint the relevant committees with the substance of the Agreement. Bearing in mind the European Parliament's interest in trade agreements concluded by the Community, the Council would acquaint the European Parliament with the content of such agreements, after they were signed and before were concluded.

557. In recent years the Council had often been obliged to ask the European Parliament to deliver its opinion at very short notice. The Council was aware of the inconvenience which this caused and wished to do what it could to remedy it. It therefore adopted a procedure whereby a request for consultation could be submitted to the European Parliament very soon after receiving the proposal from the Commission.

The Council had always taken care that the opinion of the European Parliament should be taken into consideration at Council level and also during the preparatory work for its meetings. The measures which it had taken in this connection were confirmed and increased. It was laid down that except where matters of urgency were involved, and in compliance with its obligations, the Council would not examine Commission proposals submitted to the European Parliament for consultation before the latter's opinion had been received, provided that the opinion was delivered within an appropriate period which in certain cases could be laid down by common agreement.

In its desire to keep the European Parliament better informed of the action taken on its opinions, the Council agreed to supplement the existing procedure by laying down that the President of the Council should meet the President of the European Parliament at regular intervals, and at least four times each year, in order to examine, amongst other matters, action taken by the Council on the Parliament's opinions.

558. Finally, the Council took two important measures in connection with its participation in the work of the European Parliament. In response to the Parliament's wish, the Council decided that in principle it would be represented at important debates, and where appropriate take part in them.

In order to simplify the list of all the Council's activities during the previous year, the Council, reverting to the practice of recent years, decided that the text could be circulated in writing to the Members of the European Parliament, and the President-in-Office could confine himself to a brief presentation of the report and to providing information on the projects which the Council intended to implement during the current year.

559. Mr Nørgaard, Danish Minister for Foreign Trade, President-in-Office of the Council, submitted all these decisions to the European Parliament at their sitting on 17 October 1973. The European Parliament welcomed these measures.

The application of these various measures can only serve to strengthen the links which form over the years between the Council and the Parliament. These links are already very close, judging by the very frequent participation of the President-in-Office of the Council at the plenary sessions of the European Parliament and the meetings of Parliamentary bodies and committees.

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

560. For the first time in the history of the Communities the Council took part in all the sitting which the European Parliament held during 1973.

The regularity of the Council's attendance is mainly due to the fact that from the March sitting onwards the Council took part in all the question times. On these occasions it replied to the thirty questions which were put to it either directly at the meeting or by means of a written reply as provided for in the European Parliament's regulations.

Besides taking part in question time, the Council also took part in the proceedings of the European Parliament when these were

important debates and by means of oral questions with or without debate or during the budgetary procedure.

(a) *Accession*

561. Mr Fayat, Belgian Secretary of State for External Trade, President-in-Office of the Council, took part in the solemn session which the European Assembly held on 16 January 1973 on the occasion of the enlargement of the European Communities. He stressed how 'thanks to successful European integration a formidable network of common interests gives our peoples an indissoluble solidarity.

(b) *Implementation of the decisions taken at the Conference of the Heads of State or Government in Paris*

(i) European union

562. The agenda for the meeting of 3 July 1973 contained an oral question from Sir John Peel concerning progress towards European union asking what steps the Member Governments of the Community intended to take to transform the whole of their relations into a European Union before the end of the present decade.

Mr Nørgaard recalled that the first stage laid down by the Conference of Heads of State or Government in the process leading to European Union was to be completed by the end of 1975, by which date they had asked the Institutions to prepare a report. In this connection Mr Nørgaard said that the Council intended to deliberate in good time on the possible content of this report and the procedure by which it would be prepared.

(ii) Improvement of the decision-making (ii) procedures of the Council and coordination of Community action

563. Replying in July 1973 to oral question No 48/73 put by the Political Affairs Committee, Mr Nørgaard described the progress made by the Council. At the meeting of the European Parliament in September Mr Nørgaard informed the European Parliament of the decisions taken by the Council at its meeting on 23 and 24 July 1973. He stated that the Council intended to take further measures and declared that the decisions 'which had already taken and would be

taken would bring about a considerable improvement in the Council's working methods and the coordination of Community action'.

(c) Budgetary powers of the European Parliament

564. Mr Nørgaard and Mr Brinkhorst, Dutch Secretary of State for Foreign Affairs, were present at the debate held by the European Parliament on 4 and 5 October 1973. In his capacity as a member of the Netherlands Government Mr Brinkhorst stated that his Government 'would endeavour to obtain legislative and budgetary powers for the European Parliament and...' that this meant nothing less than real budgetary rights.

On receiving the amended proposal from the Commission, the Council examined it in the light of the Resolution adopted by the European Parliament.

(d) The Colloquium

565. Mr van Elslande represented the Council at the Colloquium of the Institutions held at the sitting of the European Parliament on 14 March 1973 on the implementation of the decisions of the Paris Summit Conference, particularly economic policy, monetary stability and anti-inflation measures. On the same occasion Mr van Elslande also submitted the Council's Report on its activities.

Commenting on the text approved by his Institution, Mr van Elslande made particular mention of the monetary crisis, which was of world-wide proportions. Speaking of the effect of this crisis on the Community Mr van Elslande stressed how much 'these events, while on the one hand giving us a good idea of the difficulties facing us have also strengthened us in the conviction that the only way of escaping from these difficulties is to face up to them together as a Community and as Europeans'.

Mr John Davis, Chancellor of the Duchy of Lancaster, UK Minister for European Affairs, also took part in this colloquium. He stated that 'the essential democratic character of our Parliament has evolved as its powers of control and scrutiny have increased'. Mr Davis added that 'We would expect this to be the pattern of development within this Assembly too...'

(e) *Budgetary procedure*

566. On 16 January 1973, Mr Fayat informed the European Parliament of the action taken by the Council, when the 1973 Budget was drawn up, on the proposed amendments adopted by the European Parliament. Six of the proposed amendments were adopted by the Council. Mr Fayat explained why the Council had felt unable to adopt the other proposed amendments and expressed the Council's pleasure 'at the closer collaboration which had been achieved with the European Parliament... and said that it would make every effort in future to make this collaboration closer still and look favourably on exchanges of views between the two institutions in order to equalize their respective responsibilities and powers...'

567. At the sitting of the European Parliament on 18 September 1973 Mr Nørgaard submitted the draft Rectifying Budgets Nos 2, 3 and 4 and explained why it had been necessary to draw up these draft budgets.

Mr Nørgaard took part in the Budgetary Committee's proceedings on 8 November 1973 in Copenhagen and spoke during the Budget debate on 13 November 1973 in plenary session. He assured the European Parliament that the Council would examine the proposed amendments which it adopted with the closest attention.

The Council received a delegation from the European Parliament and on 10 December 1973 adopted the 1974 Budget. On 12 December Mr FitzGerald, Irish Minister for Foreign Affairs, informed the European Parliament as a representative of the Council of the action taken by the Council on the proposed modifications which it had adopted. The European Parliament expressed its great pleasure that the Council had adopted the Commission's proposal on aid for the Sahel countries and that it had adopted other amendments proposed by it.

(f) *Regional policy*

568. Mr Mitterdorfer submitted oral question No 35/72 to express the European Parliament's concern at the Council's delay in working out a regional policy. Mr van Elzlande recalled that following the accession of the three new Member States to the Community it had been desirable to review all the problems connected with the regional policy and he reaffirmed the Council's political will to continue its

work on this matter, which was of fundamental importance for the harmonious development of the Community.

(g) Council meetings

569. Mr Bertrand submitted oral question No 75/73, which was included in the agenda for the European Parliament's sitting on 18 September 1973, and expressed the Political Affairs Committee's astonishment that on the very same day the very same persons i.e. the Ministers for Foreign Affairs, were meeting in the morning at Copenhagen to discuss political cooperation and in the afternoon at Brussels as the Council of Ministers of the European Communities.

Mr Nørgaard stated that there were different rules governing the meetings of the Council and those of the Ministers of Foreign Affairs for the Member States.

(h) Economic problems

570. At the sitting of the European Parliament on 17 October 1973 Mr Haækkerup, Danish Minister for Economic Affairs, replied to oral question No 76/73 submitted by Mr Lücker on behalf of the Christian-Democrat Delegation, relating to anti-inflationary policy. Mr Haækkerup recalled that coordination of economic policies as an anti-inflation measure was intended at present to determine the common policies which the Member States could adapt to their own individual situations to take account of the particular features of each economy'.

(i) Social Affairs

571. The agenda for the sitting of the European Parliament on 13 November 1973 included oral question No 116/73 submitted to the Council by the Social Affairs and Industrial Committee on the functioning of the new European Social Fund.

Mr Nørgaard stated that 'the decision on the renewed Social Fund had been taken with the proviso that independently of the fact that the Commission was responsible for laying down selection criteria it would immediately report to the Council if there was a danger that the Fund projects might substantially outrun appropriations, and would submit the necessary proposals to the Council'.

572. Mr Erling Dinesen, Danish Industrial Minister and President-in-Office of the Council, Mrs Eva Gredal, Danish Minister for Social Affairs and Mr Glinne, Belgian Minister for Employment in Industry, spoke in the debate which the European Parliament held on 10 December 1973 on the Social Action Programme.

Mr Dinesen observed that 'while it was true that the adoption of an action programme concerning the labour market and in the social field would be marking a turning point in the next few years in the Community's activities, it should be stressed that the major objectives fixed by the Conference in this field, particularly attainment of full employment and improvement in living and working conditions, could not be attained by isolated measures concerning the labour market or within the present social system'.

(j) *Other debates*

573. On 16 January 1973 Mr Fayat informed the European Parliament of the contents of the Agreement with Lebanon and the Association Agreement with Cyprus. He stressed the political importance which the Council attached to these Agreements and its satisfaction that they had been signed before the end of 1972.

574. Mr Westerterp, Dutch Secretary of State for Foreign Affairs, was present at the debate which the European Parliament held on 15 February 1973 on the report drawn up by Mr Mommersteeg, on a resolution submitted by the Presidents of the political parties on Vietnam, Laos and Cambodia.

575. Mr Glinne was present at the debate which the European Parliament held on 13 November 1973 on Community Energy Policy.

2. PARTICIPATION OF THE COUNCIL IN THE MEETING OF PARLIAMENTARY COMMITTEES AND BODIES

(a) *Procedure for informing the appropriate Parliamentary Committees of the contents of various agreements*

576. Mr Harmel, Belgian Minister for Foreign Affairs and President-in-Office of the Council, on 25 January 1973 submitted to the Political Affairs Committee, the Committee on External Economic Relations and the Committee on Agriculture the substance of the Additional Protocols

to the Agreements with Spain, Israel, Morocco and Tunisia. He also supplied some information on progress in the additional negotiations with Greece, Turkey, Malta and the Lebanon.

577. On 1 March 1973 Mr van Elslande took part in the proceedings of the Political Affairs Committee concerning the Association Agreement with Cyprus. He described the circumstances under which this agreement had been concluded.

578. On 26 March 1973 Mr van Elslande brought the attention of the Political Affairs Committee and the Committees on External Economic Relations, Agriculture, and Development and Cooperation, to the agreements concluded with Morocco and Tunisia amending the provisions of the original agreements in respect of imports of non-refined olive oil.

He also gave the content of the Agreements concluded with Cyprus, the Arab Republic of Egypt and the Lebanon which exempted these countries from maintaining the agreed price for exports of citrus fruits on the markets of the three new Member States in 1973.

579. Again it was Mr van Elslande who on 4 May 1973 informed the Political Affairs Committee and the Committees for External Economic Relations and for Agriculture of the substance of the Agreements negotiated between the Communities and Norway.

580. These Committees met on 3 July 1973 to hear Mr Nørgaard speak on the content of the EEC-Yugoslavia Trade Agreement.

581. On 18 September, Mr Nørgaard also informed the Parliamentary Committees of the content of the Protocol laying down certain provisions concerning the Agreement between the EEC and the Lebanon following the accession of new Member States.

582. Finally, on 12 December 1973, Mr Fitzgerald informed these Committees of the content of the Agreements concluded with Brazil and India.

(b) Participation of the Council in the proceedings of other Parliamentary Bodies

(i) EEC-AASM Association

583. The Council was represented by its President-in-Office at the 9th annual meeting of the Parliamentary Conference of the EEC-AASM

Association at Kinshasa on 29-31 March 1973 and at the two meetings of the Joint Committee of the Parliamentary Association Conference, the first at Bruges from 26-29 June 1973 and the second at Lomé on 26-31 October 1973.¹

(ii) EEC-Turkey Association

584. Mr Kempinaire, Belgian Secretary of State for External Trade took part in the proceedings of the 15th meeting of the Joint EEC-Turkey Parliamentary Committee held in Strasbourg and Luxembourg on 10-14 May 1973.²

Mr Nørgaard represented the Council at the 16th meeting of this Committee held at Izmir and Istanbul on 6-10 September 1973.

3. CONSULTATION OF THE EUROPEAN PARLIAMENT

585. During 1973 the Council requested the European Parliament's opinion on 126 documents.

4. WRITTEN QUESTIONS

586. During the period under review the Council received 103 written questions.

B — Council - Court of Justice

587. During 1973 the Council appeared before the Court of Justice of the European Communities in 21 cases.

Seventeen of these cases were actions brought by officials of the Council Secretariat.³

Four cases not concerned with personnel matters concerned a request to declare void a Council Regulation introduced by the Go-

¹ See paragraph 440 of this Review.

² See paragraph 411 of this Review.

³ Of which 13 were identical cases which were joined by the Court.

vernment of a Member State, two actions for damages and one action for failure to act.

Furthermore, the Council was involved in five cases concerning requests for preliminary ruling within the meaning of Article 177 of the EEC Treaty.

C — Information policy

588. In order to improve cooperation between the Council and the Commission on information policy, the Council at its meeting on 31 January and 1 February 1972 made a series of decisions. It considered it advisable that the Information Councillors in the diplomatic missions and consulates of the Member States in non-Community countries should meet as regularly as possible under the chairmanship of the representative of the country holding the Council Presidency, so as to implement a reciprocal information procedure which would operate as from the second half of 1972.

In addition, it was planned to resume the annual debates on Community information policy at the same meeting of the Council. Following the enlargement of the Community and in view of the excessive number of meetings and amount of work which the enlargement involved it was not possible to organize a real debate in 1973.

D — Relations with the Economic and Social Committee

1. REVISION OF THE ECONOMIC AND SOCIAL COMMITTEE'S INTERNAL REGULATIONS

589. On 15 January 1973, the Council made a number of technical amendments to the Economic and Social Committee's Internal Regulations made necessary by enlargement of the Communities.

In item 15 (on the strengthening of Institutions) of its final communiqué the Paris Summit Conference meeting in October 1972 had 'instructed the Institutions of the Community to recognize the right of the Economic and Social Committee to deliver opinions on its own initiative in future on all the matters appertaining to the work of the Community'.

During 1973 the Economic and Social Committee started to deliver opinions on matters which it chose to consider in implementation of this item in the final Paris communiqué.

At present the Council is studying the provisions with a view to amending the Internal Regulations of the Committee.

2. IMPROVEMENT OF RELATIONS BETWEEN THE COUNCIL AND THE ECONOMIC AND SOCIAL COMMITTEE

590. During 1973 the Council, in agreement with the Commission, undertook certain other proceedings in order to improve relations between the Council and the Committee. These proceedings will be terminated at the beginning of 1974.

E — ECSC Consultative Committee

591. On 22 January 1973, the Council allocated the additional seats on the Consultative Committee which had been created under Article 22 of the Act of Accession, for the duration of the committee's current brief, i.e. until 22 March 1974.

However, the Council recognized that this allocation could not be regarded as final and agreed to restructure the Committee in view of the forthcoming renewal, taking account particularly of the relative production and consumption of coal and steel products in the various Member States. Work on this restructuring began in October 1973.

F — Budgetary questions

1. 1973 GENERAL BUDGET OF THE EUROPEAN COMMUNITIES - TABLE OF COMMISSION STAFF

592. At its meeting on 21 September 1973 the Council released 180 posts which had appeared in the table of Commission staff for 1973.

2. SUPPLEMENTARY BUDGET No 1 OF THE EUROPEAN COMMUNITIES FOR 1973

593. On 12 March 1973 the Commission submitted the preliminary draft of Supplementary Budget No 1/1973 to the Council. This contain-

ed certain amendments to the table of Commission staff which had proved necessary for the restructuring of the departments which it had to carry out following the enlargement of the Communities. This preliminary draft Budget does not involve any increase in authorized appropriations.

594. On the basis of this preliminary draft the Council drew up the draft Supplementary Budget No 1 of the European Communities for 1973 at its meeting on 16-17 April 1973. This draft Budget was submitted to the European Parliament. At its sitting on 10 January 1973 the European Parliament approved the draft Supplementary Budget No 1 without amendment and stated that under the circumstances Supplementary Budget No 1 of the European Communities for 1973 could be considered as finally adopted. On 21 May 1973 the President of the Council declared that Supplementary Budget No 1 had been finally adopted.

Supplementary Budget No 1 of the European Communities for the financial year 1973 was published in the Official Journal of the European Communities.

3. RECTIFYING AND SUPPLEMENTARY BUDGET No 2 FOR THE FINANCIAL YEAR 1973

595. On 18 May 1973, the Commission submitted to the Council the preliminary draft of Rectifying and Supplementary Budget No 2. Apart from the financial effects of the non-accession of Norway, this preliminary draft contained amendments enabling most of the Institutions to meet additional expenditure arising from new items which had arisen after the General Budget of the European Communities for the financial year 1973 had been finally adopted. During its meeting on 25-26 June 1973 the Council drew up the draft Rectifying and Supplementary Budget No 2 on the basis of this preliminary draft. The draft Rectifying and Supplementary budget was submitted to the European Parliament on 26 June 1973.

At its sitting on 20 September 1973 the European Parliament approved draft Rectifying and Supplementary Budget No 2 for the financial year 1973 without amendment and declared that under the circumstances Rectifying and Supplementary Budget No 2 of the European Communities for the financial year 1973 could be considered as finally adopted.

On 21 September 1973 the President of the Council declared that the Rectifying and Supplementary Budget had been finally adopted. The total appropriation for 1973 amended by Rectifying and Supplementary budget No 2 of the European Communities for the financial year 1973 amount to 4 227 453 u.a.

Rectifying and Supplementary Budget No 2 for the financial year 1973 was published in the Official Journal of the European Communities.

4. SUPPLEMENTARY BUDGET No 3 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1973

596. On 12 June 1973, the Commission submitted to the Council the preliminary draft of Rectifying Budget No 3 of the European Communities for the financial year 1973 (section III — Commission — and revenue section). In this preliminary draft the Commission proposed to transfer 38 staff from the table of staff engaged on research and investment to the table on staff coming under the operating budget. It also proposed that decisions taken on programmes should be expressed in terms of the budget.¹

At its meeting on 25-26 June 1973 the Council drew up the draft Rectifying and Supplementary Budget No 3 on the basis of this preliminary draft Rectifying Budget.

The draft Rectifying and Supplementary budget was submitted to the European Parliament on 28 June 1973. At its sitting on 20 September 1973 the European Parliament approved the draft Supplementary Budget No 3 of the European Communities for the financial year 1973 without amendment and declared that under these circumstances Supplementary Budget No 3 of the European Communities for the financial year 1973 could be considered as finally adopted.

On 21 September 1973 the President of the Council declared that Supplementary Budget No 3 had been finally adopted.

¹ A separate contribution was prepared in the second section of this Supplementary Budget.

5. SUPPLEMENTARY BUDGET No 4 OF THE EUROPEAN COMMUNITIES FOR THE FINANCIAL YEAR 1973

597. On 18 July 1973 the Commission submitted to the Council the preliminary draft Supplementary and Rectifying Budget No 4 for the financial year 1974.

The extra appropriations requested in this preliminary draft Budget amounted to 879 290 000 u.a. for the Guarantee Section of the EAGGF and 120 000 000 u.a. for the Social Fund, and 9 369 034 u.a. under Chapter 29 for refund of costs incurred in collecting own revenue, giving a total of 1 008 659 034 u.a.

Supplementary Budget No 4 became necessary because the appropriations for the Guarantee Section of the EAGGF were inadequate. The appropriations under this heading in the 1973 budget were based on evaluations made in May-June 1972. At that time the evaluations of production and trade potential in 1973 were not known sufficiently and price calculations could only be based on the hypothesis that the *status quo* would be maintained.

598. There were also several factors specific to the 1973 financial year. These were the effects of the enlargement of the Community, the financial effects of which, particularly in respect of the EAGGF, could not be predicted with sufficient accuracy in June 1972.

Furthermore the compensatory amounts were not fixed until after the 1973 budget had been adopted. In addition the full extent of monetary effects on market policies and the effects of certain floating currencies had naturally not been foreseen when the preliminary draft Budget for 1973 was being drawn up.

Additional appropriations were requested for the Social Fund to meet the large number of requests already submitted to the Commission during the first half of 1973 which exceeded the appropriations allocated in the 1973 budget.

599. At its meeting on 23-24 July 1973 the Council approved in substance the draft Rectifying and Supplementary Budget No 4 of the European Communities for the financial year 1973. It decided that the additional appropriations to be entered in the draft Rectifying and Supplementary budget for the Guarantee Section of the EAGGF would be 864 336 000 u.a. It decided to defer examination of the additional appropriations requested for the European Social Fund to its meeting on 21 September. The Council drew up the draft Rectifying and Supplementary Budget No 4 of the European Communities for the financial year 1973 on 3 August 1973 by written procedure.

600. The draft Rectifying and Supplementary Budget No 4 was submitted to the European Parliament on 6 August 1973. At its sitting on 20 September 1973 the European Parliament approved a Resolution on the draft Rectifying and Supplementary Budget No 4 of the European Communities for the financial year 1973. This Resolution and the draft Rectifying and Supplementary Budget No 4 amended by the European Parliament were submitted to the Council by the President of the European Parliament the same day.

601. At its meeting on 21 September 1973 the Council took note of the Resolution and the draft Rectifying and Supplementary Budget No 4 of the European Communities for the financial year 1973 as amended by the European Parliament. The Council debated the draft budget with the Commission and adopted the Supplementary Budget. At this meeting the Council decided to allocate an additional appropriation of 45 million u.a. under Article 510 for the renewed Social Fund. The President of the Council then declared that Rectifying and Supplementary Budget No 4 had been finally adopted. The total revenue and expenditure in this Supplementary and Rectifying budget is 916 747 490 u.a.

Rectifying and Supplementary Budget No 4 was published in the Official Journal of the European Communities.

6. BUDGET OF THE EUROPEAN COMMUNITIES FOR 1974

Draft General Budget of the European Communities for 1974

602. The preliminary draft of the General Budget of the European Communities for 1974 was submitted by the Commission to the Council on 21 August 1973. In a letter dated 14 September 1973 the Commission made amendments to the preliminary draft Budget.

During its meeting on 21 September 1973 the Council drew up the draft General Budget of the European Communities for the financial year 1974 after consulting the Commission and the Court of Justice.

Before beginning its deliberations on the preliminary draft of the General Budget of the European Communities for 1974, the Council was informed by its President of the European Parliament's initial political reactions on the general tenor of the preliminary draft. These had given rise to an exchange of views between the President of the Council and the delegation from the European Parliament. Thus it was made possible for the Council and the European Parliament

to collaborate in the budgetary procedure in the second year at the stage of drawing up the draft budget.

The total appropriations in the draft Budget are 5 025 897 030 u.a. They are divided among administrative and operating expenses, operational expenses including research and investment, the European Social Fund, the EAGGF, and food aid, and miscellaneous expenses (refund of costs incurred in collecting own revenue). The appropriations allocated to the EAGGF themselves exceed 3.8 thousand million u.a.

(a) The following table compares estimated expenditure as given above with appropriations in the 1973 budget:

Expenses	u.a.	
	1973	1974
I - <i>Administrative and operating expenses</i>	311 666 200	358 878 803
II - <i>Operational expenses</i>		
1. European Social Fund	282 950 000	327 800 000
2. Regional Fund	—	n.a.
3. EAGGF		
Guarantee Section — financial year appropriations	3 636 546 000	3 504 600 000
— re-entries	170 000 000	n.a.
Guidance Section — financial year appropriations	325 000 000	325 000 000
— re-entries	25 000 000	n.a.
4. Food aid		
— financial year appropriations	48 177 000	105 000 000
— re-entries	—	25 000 000
5. Research and investment — Chap. 33	74 686 830	84 107 919
— Chap. 38	—	1 715 900
III - <i>Other expenses</i>		
Repayment of costs incurred in collecting own revenue	260 467 841	293 794 408
TOTAL	5 134 493 871	5 025 897 030
of which re-entries	195 000 000	25 000 000

(b) Estimated administrative and operating expenses are broken down as follows:

Institutions and organizations	1974 appropriations u.a.	1973 appropriations u.a.
European Parliament (own expenditure)	29 373 300	25 158 170
Council (own expenditure)	33 862 165	27 610 800
Economic and Social Committee	6 330 420	5 505 930
Audit Board	894 130	812 910
ECSC Auditor	161 975	133 680
Commission		
— administrative and operating expenditure ¹	257 391 223	182 474 370
— provisional appropriations and contingencies ²	22 923 390	32 947 100
— miscellaneous (30 m u.a. from Chap. 98)	—	30 000 000
Court of Justice	7 942 200	7 023 240
TOTAL	358 878 803	311 666 200

¹ i.e. titles 1-4 excluding Chaps. 29 and 33.

² Excluding the appropriation of 1 715 900 u.a. for research appropriations.

(c) Staff authorized for each of the Institutions for the Financial Year 1974 are as follows:

Institution	Posts	
	Permanent	Temporary
European Parliament	1 016 ¹	80 ²
Council	1 324	6
Economic and Social Committee	284	—
Audit Board	30	—
ECSC Auditor	5	—
Commission — operating budget	7 204	171
— research and investment budget ³	2 198	—
Court of Justice	234	20

¹ This figure was increased to 1 056 when the budget was finally adopted.

² This figure was increased to 116 when the budget was finally adopted.

³ 491 of whom are members of staff.

(d) The draft general budget and notes thereto were submitted to the European Parliament on 4 October 1973. The President of the Council presented it to the Parliament at its sitting on 17 October 1972.

The European Parliament examined the General Budget at its sitting on 15 November 1972.

7. FINAL ADOPTION OF THE BUDGET OF THE EUROPEAN COMMUNITIES FOR 1974

603. At its meeting on 10 December 1973 the Council took note of the Resolution and the proposed amendments adopted by the European Parliament and the draft General Budget of the European Communities for the financial year 1974 as amended by the Parliament. Before deliberating the draft Budget the Council held a broad ex-

change of views on the amendments with a delegation from the European Parliament. The Council subsequently deliberated on the amendments proposed by the European Parliament with the Commission and decided to accept a certain number of them. It then finally adopted the Budget.

The President of the Council declared that the Budget of the European Communities for 1974 had been finally adopted. The total estimated receipts and expenditure in the budget of the European Communities for 1974 is 5 079 465 923 u.a.

At the sitting of the European Parliament on 12 December 1973, the President of the Council informed the European Parliament of the outcome of the Council's deliberations on 10 December and explained the reasons why the Council had been unable to accept certain amendments proposed by the European Parliament.

The Budget for 1974 was published in the Official Journal of the European Communities.

8. OTHER BUDGETARY MATTERS

(a) Discharges given to the Commission from the implementation of the Budgets

604. At its meeting on 19 February 1973, the Council discharged the Commission from the implementation of the Budget and the Supplementary Budget of the European Communities for the financial year 1970 and the EAEC Research and Investment Budget for the financial year 1970.

The President of the Council submitted these decisions to the European Parliament in a letter dated 20 February 1973. At its sitting on 9 May 1973 the European Parliament adopted the Decision discharging the Commission from the implementation of the Budget of the European Communities for the financial year 1970 and the Audit Board's report.

These discharge decisions for the financial year 1970 were published in the Official Journal of the European Communities.

(b) *Transfer of appropriations from one Chapter to another within the budgetary estimates for the Institutions for 1973.*

605. On a proposal from the Commission the Council approved various requests for appropriations to be transferred from one Chapter to another.

(c) *Carry-over of appropriations from the financial year 1972 to the financial year 1973*

606. The Council approved requests for the following appropriations to be carried over as submitted by the Commission.

At its meeting on 12 March 1973 it approved the request to carry over to the financial year 1973 an available appropriation under Article 141 — Staff Foyers and Clubs — section III — Commission in the 1972 budget.

During its meeting on 16 and 17 April 1973 it approved the carry-over of appropriations from the financial year 1972 to the financial year 1973 relating to expenditure under Articles 4 and 5 of the Decision of the Council on the reform of the European Social Fund and expenditure relating to food aid (implementation of the Food Aid Convention of 1967 and 1971 and the supply of egg products to the World Food Aid Programme).

At its meeting on 4-5 June 1973 the Council approved the request that an available appropriation under Article 800 — 1972 projects of the Guidance Section of the EAGGF should be carried over to the financial year 1973.

On 3 August 1973 the Council gave its assent by written procedure to the requests for so-called 'optional' appropriations to be carried over from the financial year 1972 to the financial year 1973 as submitted by the Commission. It also noted the lists of so-called '*de jure*' appropriations to be carried over from the financial year 1972 to the financial year 1973 which were submitted by the Commission for information.

At its meeting on 22-23 October 1973 the Council noted the amendments to the list of *de jure* appropriations carried over from the financial year 1972 to the financial year 1973 communicated by the Commission.

9. FINANCIAL REGULATIONS

607. During its meeting on 18 January 1973 the Council adopted the financial Regulation containing specific provisions for meeting the requirements of the Communities' exchequer as regards budgetary expenditure. This financial Regulation, which was valid until 30 April 1973, was published in the Official Journal of the European Communities.

At its meeting on 2-3 April 1973 the Council adopted a Regulation amending Regulation No 2/71 implementing the Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Communities' own resources. This financial Regulation, which entered into force on 1 October 1973, was published in the Official Journal of the European Communities.

608. During its meeting on 16-17 April 1973 the Council approved the text of the Articles of the proposed general financial Regulation applicable to the Budget of the European Communities, submitted by the Commission on 4 December 1972. It also decided that the financial Regulation would enter into force on 1 May 1973. It adopted the full text of this Regulation by written procedure on 25 April 1973. The financial Regulation was published in the Official Journal of the European Communities.

On 28 December 1973 the Council adopted by written procedure the financial Regulations derogating for the financial year 1973 from Article 5 of the financial Regulation of 25 April 1973 applicable to the general Budget of the European Communities.

10. MISCELLANEOUS

(a) *Medium-term financial estimates*

609. At its meeting on 19 and 20 November 1973 the Council decided to submit to the European Parliament for its opinion the estimated expenditure and revenue for the Budget of the European Communities for the financial years 1974, 1975 and 1976, which had been submitted to it by the Commission.

(b) *Determination of the daily allowance for members of the Economic and Social Committee*

610. At its meeting of 6 November 1973 the Council laid down the amount of the daily allowance for members of the Economic and Social Committee as 40 u.a. with effect from 1 January 1974.

(c) ECSC auditor's fees

611. At its meeting on 17-18 December 1973 the Council fixed the ECSC auditor's fees at 10 000 u.a. per annum with effect from 1 January 1973.

(d) Write-off of the deficit of the Institutions' sickness insurance schemes as at 31 December 1966

612. At its meeting on 5 and 6 January 1973 the Council approved the Commission's proposal for writing off the deficit of the autonomous sickness insurance schemes in the Institutions of the European Communities before the common sickness insurance scheme entered into force on 1 January 1967.

G — Staff regulations

1. REVISION OF STAFF REGULATIONS

613. By Regulation No 558/73 of 26 February 1973 the Council removed clauses in the Staff Regulations discriminating against the female sex in respect of the household allowance (formerly called 'head of family allowance'), installation and resettlement allowances, reimbursement of annual travel expenses to place of origin, and the daily allowance. This Regulation also includes some improvements of a social nature.

2. DIALOGUE PROCEDURE

614. In view of certain difficulties which arose in implementing the dialogue procedure between the Council and the staff representatives (Decision of 28 February 1972), the Council re-examined this procedure and on 4 December 1973 adopted a revised text which contained provisions relating to the conciliatory function which the President of the Council may exercise before giving a final decision where there are major difficulties. To this end the President shall take the steps and make the contacts he considers necessary 'in order to explore the possibilities of limiting the margin of disagreement and facilitating the search for a solution which would either obviate or resolve the conflict'. It is laid down that when acting in a conciliatory

capacity the President of the Council may, if he considers it expedient, be assisted by one or more advisers of his own choice.

3. ADJUSTMENT TO SALARIES

615. Following the judgment of the Court of Justice on 5 June 1973 declaring void Articles 1-4 of the Regulation adjusting remunerations for the reference period 1 July 1971 to 30 June 1972 the Council adopted Regulation No 2188/73 of 9 August 1973. In this Regulation account is taken of the fact that in accordance with the judgment of the Court of Justice the adjustment to remunerations by reason of decreased purchasing power should come within the limits of the indices of the trends in salary rates in the civil services of the Member States (specific index) and aggregate per capita earnings in the government departments (implementation of the method of adjusting remunerations laid down in Council Decision of 21 March 1972).

616. Furthermore, the Council decided by Regulation 2/74 of 28 December 1973 on the adjustments to be made to remunerations for the reference period 1 July 1972 to 30 June 1973.

4. EFFECTS OF THE ACCESSION OF THE NEW MEMBER STATES

617. In Regulation No 1543/73 of 4 June 1973 introducing special measures temporarily applicable to officials of the European Communities paid from research and investment funds, the Council adopted temporary derogations to some Articles of the Staff Regulations relating to recruitment so as to enable officials from the new Member States to be appointed quickly and efficiently. Furthermore steps were taken for a certain amount of disengagement of staff to take place on the understanding that priority would be given to officials leaving voluntarily.

TABLES

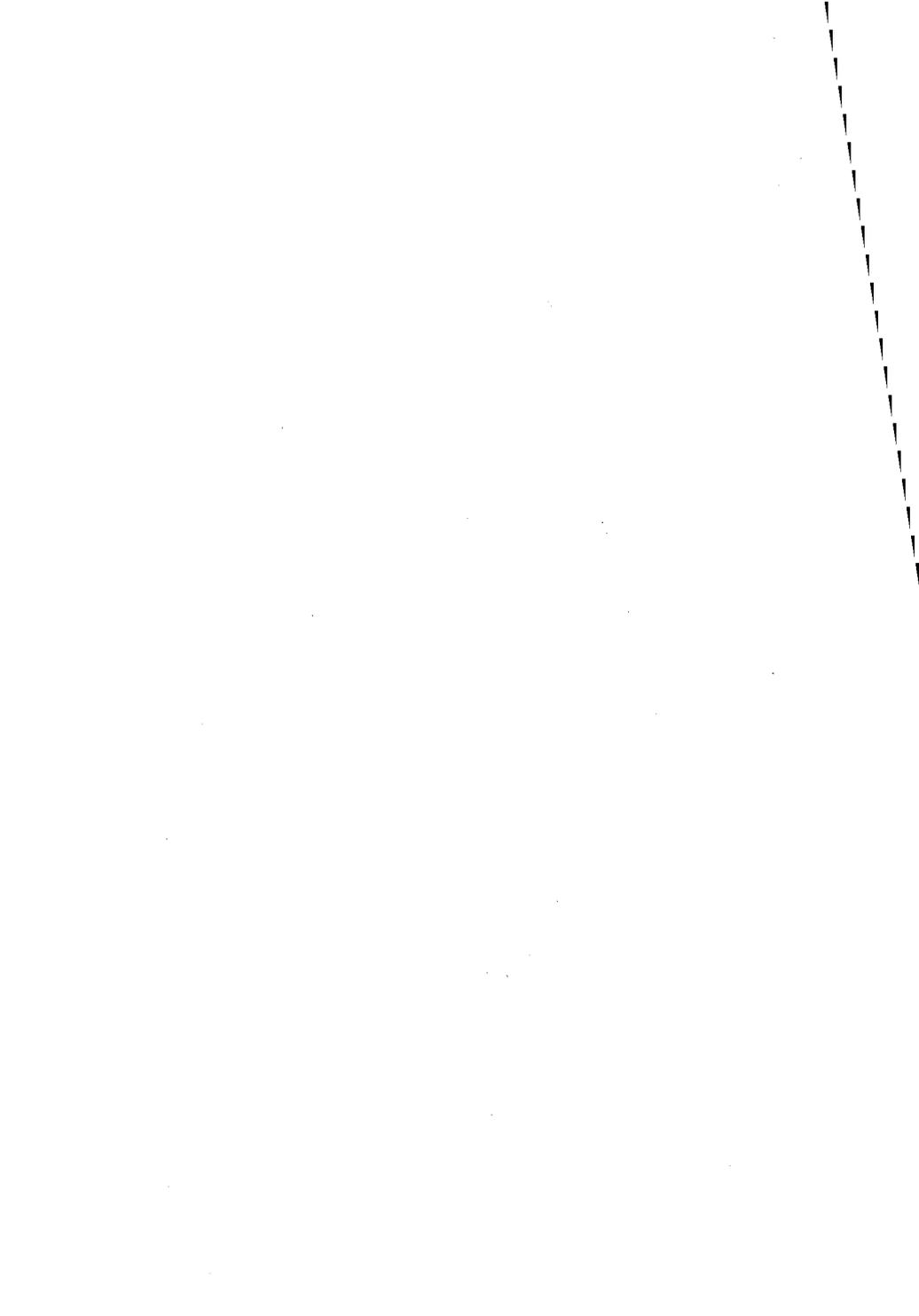


TABLE 1

Evolution of the number of days spent on Council meetings and meetings of preparatory bodies

Year	Ministers	Ambassadors and Ministerial Delegates	Committees and Working Parties
	EEC/EAEC/ECSC	EEC/EAEC/ECSC	EEC/EAEC/ECSC
1958	21	39	302
1959	21	71	325
1960	44	97	505
1961	46	108	655
1962	80	128	783
1963	63 1/2	146 1/2	744 1/2
1964	102 1/2	229 1/2	1 002 1/2
1965	35	105 1/2	760 1/2
1966	70 1/2	112 1/2	952 1/2
1967	75 1/2	134	1 233
1968	61	132	1 253
1969	69	129	1 412 1/2
1970	81	154	1 403
1971	75 1/2	127 1/2	1 439
1972	73	159	2 135
1973	79 1/2	148	1 820

TABLE 2

Intergovernmental Conferences

Period	On the subject of 'Patents'	
	Plenary	Working Party
1.8.70 - 31.12.70	—	37
1971	8	37 1/2
1972	19	61
1973	24	9

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