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BULLETIN OF THE EUROPEAN COMMUNITIES

European Coal and Steel Community European Economic Community European Atomic Energy Community

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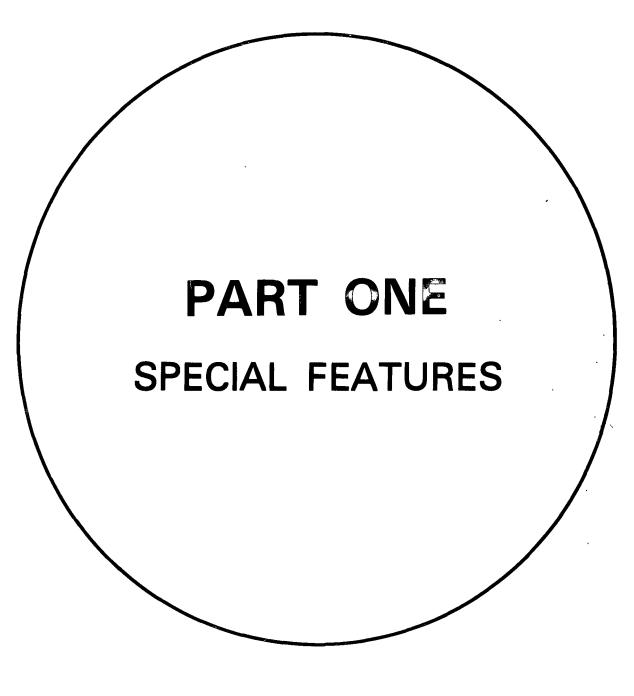
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1. Growth, inflation and employment

From the Tripartite Conference to the European Council

1.1.1. In the Community, June was dominated by the problems stemming from unemployment and by the concern to secure sound and lasting economic growth. These were the keynotes at the Tripartite Conference on 27 June, the Council meeting on social affairs the following day and a substantial part of the discussions when the European Council met in London on 29 and 30 June.

The Commission had prepared for these meetings at length. In May¹ it had already drawn up a working paper to serve as the basis for the Conference proceedings. In addition to a communication on the economic situation in the Community,² the Commission also prepared for the European Council a report on Community action concerning the labour market² and a communication on investment and borrowing in the Community.3 This Commission communication and a letter from the Board of Governors of the European Investment Bank² were in response to a request made by the European Council last March. In a Resolution on 13 June, Parliament stressed the importance of the Tripartite Conference.

The two sides of industry made their contribution to the discussions with a paper by the Union of Industries of the European Community (UNICE) and with statements by the European Trade Union Confederation (ETUC). The Government representatives took an active part in the discussions.

The Tripartite Conference

1.1.2. Like the others before it on 18 November 1975^4 and 24 June 1976^5 the Conference in Luxembourg on 27 June brought together representatives of the Governments of the nine Mem-

ber States (Ministers of Economic and Financial Affairs, Ministers of Social Affairs and Employment), and of the trade unions and the employers' associations. The Commission was represented by Vice-President Ortoli, Vice-President Vredeling, Mr Davignon and Mr Giolitti. Representatives of the European Parliament and the Economic and Social Committee attended as observers. The Conference was chaired by Mr Denis Healey, Chancellor of the Exchequer of the United Kingdom and President of the Council.

The Commission's contribution

1.1.3. The Commission's working paper, or more precisely its contribution to the proceedings of the third Tripartite Conference—'Growth, stability and employment: Stocktaking and prospects'—was well received by all the delegates and served as a basis for the work.

The contribution¹ describes the situation and its development since the previous Conference, analyses the nature of the problems, sets out the principles for action which the Commission feels might be agreed and broaches the questions still unanswered (action to be considered, if action recommended should prove controversial and need further analysis and debate). The conclusions were as follows:

[•]Last June, the Conference partners set themselves a series of targets on growth, inflation and employment. Major efforts have been made towards their achievement, but progress has been limited. The economic situation over the past year has not been favourable—the upturn in activity since 1975 has been slow to develop and inflation and unemployment levels have remained high.

The problems are more serious than they had seemed, but they can be solved. To do this, we must reaffirm our deter-

Bull. EC 5-1977, point 2.1.26.

² Point 1.1.11.

³ Points 1.4.1 and 1.4.2.

⁴ Bull. EC 11-1975, points 1201 to 1205.

⁵ Bull. EC 6-1976, points 1101 to 1106.

mination to overcome them, our willingness to seek and sustain the necessary consensus, and our ability to undertake the appropriate actions. We must seek to overcome our difficulties by the acceptance of change, and by the adoption of policies to facilitate change.

The protectionist option is an illusion for the Community—it is not a way of protecting or advancing our standards of living.

Where possible, countries should seek to stimulate demand without rekindling inflation. Restraint on all incomes must continue, whilst higher levels of investment need to be urgently re-established. Employment policies must be strengthened and more direct actions considered. Priority must be given to tackling the problems of restructuring certain sectors or regions, and to the difficulties of certain groups of workers (especially young people and women). In addition, special attention should be paid to the possibilities offered by small- and medium-sized firms. Above all, governments and social partners must work to create an environment in which all parties are confident that an acceptance of change will bring benefits for all.

The Community, for its part, will work for the maintenance of coherence in its internal and external policies particularly as concerns the effects on employment, and will pursue its efforts to relate Community actions to the most pressing needs.

In addition, however, there are problems we face for which we have no clear answers. These are the open questions where we must seek the means by which we can discuss and resolve them.

None of the parties present at the Conference hold alone the key to actions. Member States and the Community, employers and workers are, each in their own way, responsible for some of these instruments. By putting together these responsibilities, the Community can achieve the objectives of growth, stability and full employment.

It is in this spirit that the Commission will be working before, during and after the Conference.'

Speech by Mr Vredeling, Vice-President of the Commission

1.1.4. After an address by the Chairman, Mr Denis Healey, who ran through some of the questions which might be discussed during the day and was followed by various speakers, Mr Henk Vredeling, Vice-President of the Commission, with special responsibility for employment and social affairs, addressed the Conference, saying:

'First of all I should like to recall three things which appear to me to provide at least a partial answer to the question put by various people attending this Conference: "What have we done since the last Conference?".

- In the first place, we have tried to begin implementing the conclusions of our last Conference. The Commission itself, the Standing Committee on Employment and the Economic Policy Committee, besides the Economic and Social Committee and the European Parliament, have already concerned themselves with problems such as investments, division of labour, direct support for employment, and the integration of young people and women into working life. In addition, the Commission is at present drawing up a list of existing measures regarding employment premiums in all Member States. The purpose of such a list is to obtain a better insight into the measures which already exist and are arising in the various Member States, especially as regards the effect which they have on the fight against unemployment. Perhaps we can learn from each other how to go about things, but also how not to go about things.

— In the second place, we have drawn the first conclusions from our discussions on Community financial aid. I am thinking here of the extra attention which we are now devoting to vocational training for young people, of the proposals for the reform of the Social Fund, and of the improved coordination of the financial instruments of the Community.

- Thirdly—this is often forgotten, but I think it is important to say it here—in spite of all difficulties we have been able to preserve our customs union, our internal and external unity. We have declared on several occasions, and so have the two sides of industry, that we are against protectionism. We have not been content merely to say this, we have proved it by our actions. I think we have been fortunate here, for the damage would be incalculable if we let ourselves be tempted, through shortsightedness, to encroach upon and dismantle our customs union.

What are the points on which we must concentrate in the next few months in order to deal more effectively with the problem of employment and unemployment? First of all I should like to draw your attention to several things which we have already brought up. For example, we have the proposal to increase the Community's loan capacity.

In addition, specific measures have been put forward to improve the training and employment of young people and women. The Social Fund can play an important role here.

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The European Council will be discussing these proposals next Wednesday.

The activities which are in progress concerning working conditions are also of importance for employment, in particular as regards the coordination of supply and demand.

Today, at this Conference, we shall consider first and foremost several important problems which dominate practically any discussion on employment and merit closer study. In doing this we must always bear in mind that the internal and external policy of the Community must follow naturally from each other. It is hardly possible to list the problems facing us in the employment field within the Community in order of importance. For one of the characteristics of the present situation is that the causes are many and complex, and that the measures to improve the situation can only mean anything if they are adequately coordinated as regards effect and time. Economic and financial measures have social consequences and vice versa.

First of all, then, I would name the problem of *investments*. I would point out again here that the European Trade Union Confederation and the UNICE both stress their importance. However, if we are to make progress we must go more deeply into the matter. What investments, in what sectors, what combination of highly productive and labour-intensive investments are required? Not every kind of growth, not every kind of investment which creates new jobs is justified. The term "selective investment policy" is rightly being used more and more, and the criteria which should play a role here should be examined. We shall need an international frame of reference, and we shall have to use it too, if we are to properly approach these problems.

In the second place, the *role of the services sector* and the *position occupied by the public authorities* in it are of great importance. In general the tertiary sector is labour-intensive. This makes it very promising from the point of view of creating jobs. Equilibrium between the industrial sector and the tertiary sector is very important, particularly because of the generally low increase in labour productivity in the tertiary sector. The need for collective amenities is (still) great. The creation of employment in this sector is therefore equally attractive. But it must go hand in hand with an evaluation of the effects on government expenditure, both positive and negative.

In the third place, I should like to refer to the *shortening of working time*. This is brought forward more and more in discussions on employment as a method of achieving a better distribution of work. However, these discussions are not always very clear. Firstly, there are many ways of reducing working time. Secondly, the links between a reduction in working time and other socio-economic factors are many and varied, to say the least of it. Hence there is all the more need to examine this subject systematically.

A fourth set of problems concerns the very high unemployment in two groups of the working population—*young people and women.* These problems, too, require closer study. This must take place in combination with the points referred to above, such as investments and the tertiary sector and, in particular, collective amenities, but also in combination with education, the quality of work, and the way in which attempts are being made to balance supply and demand. Both of these groups, young people and women, have a very special position on the labour market, which means that they must be examined separately.

My fifth point is the *functioning of employment offices and vocational training for adults*. There is more need than ever for greater transparency of supply and demand on the labour market and, where necessary, for the possibility of influencing these factors. This means that in many cases old working methods must be brought up to date. This is done in the Member States in various ways through the operations of the bodies which implement labour market policy. It seems to us that a Community assessment of the situation should be carried out...'

Position taken by the participants

1.1.5. The third Conference was pervaded by an atmosphere of debate rather than negotiation.

The discussions revealed that it was not difficult to agree on the analysis of the situation; opinions as to what action to take and what remedies to apply were rather divided.

Most of the speakers were mainly concerned about altering the relationship between investment and employment. All were willing to concede that investment did not necessarily create jobs and could often lead to their elimination. Opinions varied on what the appropriate measures should be. One of the suggestions was to channel government investment to job-creating activities and to expand the tertiary sector, including the public sector, in order to absorb the

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surplus labour released in the wake of industrial rationalization.

Several speakers came out in favour of more selective action in order to deal with problems peculiar to certain specific industries, on the lines of measures taken under the ECSC. Some of the trade unionists wanted to see tripartite conferences for individual industries, but the employers were not enthusiastic about the idea.

Most speakers called for action to assist young people and women and spoke of the danger of a new generation of unemployed and the concept of 'work-sharing' in this context. Nevertheless, agreement on practical applications is still hard to reach since the unions still insist that work-sharing should not lead to cuts in pay, while the employers insist that competitivity must be safeguarded and are worried by the irrevocable nature of concessions relating to retirement age, working hours, annual leave and other devices to ensure that work is better apportioned.

The unions, in particular, stood out for a more comprehensive system of information on the Community labour market and contended that this was a question for The Commission. For the British trade unions, Mr Murray went so far as to suggest that the hundred biggest European companies should regularly submit reports on their investment plans and activity and that the Community should influence their decisions as to the location of operations. It was important to avoid an uneven pattern of economic growth.

The unions supported the idea of increasing the wages guaranteed by the Community. Most of the other speakers were either cautious or said nothing about this. Mr Duisenberg called for a European institute of economic research and development and mentioned that the Netherlands was ready and willing to accommodate the head-quarters of such a body; but this suggestion was neither taken up by the other speakers nor mentioned by Mr Healey in his conclusions.

The Chairman's conclusions

1.1.6. At the end of the day, Mr Denis Healey picked out the results of the Conference in the form of a twelve-page resume, which pending the next tripartite meeting illustrates the points of agreement and dissent, sets out the method for solving present problems and finishes with a work programme.

Mr Healey stated :

"... I think anybody who attended the debate right through will agree that it was a very penetrating one, both on diagnoses and on cure. There were many differences of emphasis expressed which reflect the rich diversity of experience, interest and insight among us. I think it is inevitable that there were these differences of view and approach because the problem we have been discussing today really goes to the heart of the current international predicament and has economic, political and social dimensions which are baffling analysts all over the world. Somehow or other in summing up I have to perform the task I promised to undertake and that is to try do draw out the areas of agreement which were revealed and to try to define the more important areas of disagreement so that in future work we can try to narrow those areas to the greatest degree possible.

My own impression—and I hope that you will agree with this—is that the differences were essentially differences of emphasis or balance. There was broad agreement on the range of factors which contribute to our problem and on the range of actions which are required to improve the situation. But speakers had many views on the right proportion in which these factors and these actions should be combined.

I must confess that one of the things which confused me most was the use of statistics by protagonists of all the various theories. We had some argument this morning about the relevance of the claim that unit wage costs in the Community have grown since 1970 ten times as fast as unit wage costs in the US and yet, as somebody else pointed out, since 1970 the Community's exports have grown very much faster than the exports of the US and investment in the US has been consistently lower than investment in the Community. Unemployment has been a great deal higher than in the rest of the world. And my poor brain has been reeling because I am torn between the belief that an increase in unit wage costs must be the key to improved economic performance at least in these fields and a growing suspicion that perhaps economic relationships are a little more complicated than appears at first sight. And I think that we would all do well to show a certain

scepticism and perhaps humility in attempting to draw farreaching conclusions from fairly narrow ranges of figures. Now to some extent I think the differences of emphasis among us reflected the differences of situation from country to country, because inevitably the appropriate policies and the causes of the present problem will differ according to the inflationary level in one country rather than another, the unemployment, the balance of payments situation and so on...'

Concerning the areas where opinions differed, the Chairman said:

"... I think there was general recognition that we shall not reduce unemployment unless we can somehow increased demand. But there was a division into three groups to some extent. Some thought that demand should be increased through increase in wages; some thought that demand was better increased through reductions in taxation; some thought demand could best be increased by increased private investment, some by increased public spending. I will not attempt to try to reconcile these disagreements because they go to the heart of our political and economic life. I can only say that I believe that there too the problem is rather to agree on the right combination of these four alternative ways of dealing with the problem, rather than to choose one at the expense of the other three. There was perhaps a little more agreement that I might have expected that incomes policy or reasonable growth in incomes was an element in countering unemployment. But clearly differences in national situations were an element in differences on this matter as well. On the question of the role of the public and services sectors, to which special emphasis was given by the ETUC, I think it was recognized that some countries have had to restrain the growth in public expenditure in order to put more resources into industry; and I think it was perhaps generally agreed that there was little gain in putting more expenditure into the public or service fields if this reduces the scope for growth in manufacturing industry and tradeable services, or if it is at the expense of inflationary pressure.

Now it seemed to me that these were the areas where our disagreements were perhaps the greatest and perhaps in the other areas which I have described there were some disagreements too. To some extent the disagreements are disagreements of judgment; and here I think differences can be reduced by further study and more systematic information, which I believe we must collectively carry out, because we must think these issues through, and I think we shall all gain from doing so together. But I must admit that some of these differing judgments reflect differences of interest which are not automatically or easily reconciled; and if we cannot reconcile these differences of interest then they will have to be settled in the market place—not in the economic market place, but in the industrial or political market place where votes and power are the medium of exchange rather than money.'

After the Conference: the work programme

1.1.7. Having summarized the debates, Mr Healey made some suggestions as to further study in the light of the material of the Conference: namely the Commission's paper, Mr Vredeling's statement and the considerations of the government, trade union and employers' representatives:

'Firstly, what are the cost effectiveness and implications for industrial performance of different means of work sharing?

Secondly, what is the role, compatible with stability and growth, in employment creation of the tertiary sector including the public sector?

Thirdly, what are the restraints imposed by the international situation on the Community's competitiveness and what changes are required in the pattern of employment and investment in the Community as a result of recent changes in key areas of the world economy if we are to achieve growth with stability?

And *fourthly*, how can we ensure the right conditions for employment-creating growth? In particular what can be done to promote investment, public or private, and by what means, direct or otherwise, might we ensure that this investment will on balance create jobs rather than destroy them? Some anxiety was expressed by some of the speakers at the Conference that in current circumstances investment might tend much more towards reducing the number of jobs available rather than increasing them. Now this needs to be highly practical, and I suggest that this study should include consideration of the likely employment effects of investment in the Community in the next year or two.

The Presidency has noted that the Commission and other Community institutions already in hand work on factors affecting the supply and demand for labour notably:

(i) the structural problem of unemployment among young people and women,

(ii) the use of employment premiums in the countries of the Community,

(iii) the placement and training services within the Community.

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I am sure it would be an important step forward if we could speed up this work, so as to produce comparative and quantitative studies of these matters which can serve as a basis for proposals for action by the Community institutions.

I think that these proposals have generally been supported by other speakers, and I suggest that this programme of cooperative studies would be the best basis for our future work. The work should obviously be carried out through the Standing Committee on Employment and the Economic Policy Committee, and I suggest that appropriate arrangements be settled through the usual channels. These arrangements should also provide for the reviewing of growth, investment and employment within the Community so that we may all keep abreast of relevant developments.'

Lastly, Mr Healey turned to the possibility of another Tripartite Conference:

"Many participants have referred to the need for another Tripartite Conference. I am sure it would be generally agreed that the discussion today has shown the value of exchanges of this kind in improving understanding of our problems and in indicating what approaches and policies are likely to be most useful and effective.

The suggested programme of further studies should help us to carry this process a stage further. In the light of these studies and of economic development in the Community and the world at large, the Council will be able in due course to determine at what moment is will be opportune to hold a further Conference, no doubt within the next year. It will then also be clearer what the scope of that Conference should be.'

Council meeting on social affairs

1.1.8. Held in Luxembourg on 28 June, the day after the Tripartite Conference, the Council meeting on social affairs, chaired by Mr John Morris, Secretary of State for Wales, was a success.

The first signs of political agreement emerged (albeit with certain reservations from three delegations) on the key question of the revision of rules relating to the tasks and operations of the *European Social Fund*, as proposed by the Commission last March.¹ The Council approved two Directives; one concerns schooling for migrant workers' children² and the other relates to safety signs and instructions at work.³

The Council welcomed a Communication from Mr Vredeling, Vice-President of the Commission, on future social policy⁴ and told the Commission to go ahead with the work to establish a European Trade Union Institute.⁵

European Social Fund

1.1.9. In accordance with the provisions of its Decision of 1 February 1971^6 on reforming the Fund, the Council reviewed the enacting terms relating to the Social Fund to take account of experience gained and adapt it to changes in economic circumstances and particularly in conditions of employment.

In its discussions the Council concentrated on defining the scope of the types of operation provided for in Articles 4 and 5 of the basic Decision, matters relating to the allocation of appropriations between the two types of operation, and possible differentiation in the extent to which the Fund was to participate in financing the projects.

At the end of the discussions the President noted that the opinion to have emerged concerning the review of the rules on missions and on the opertion of the European Social Fund was favourable⁷ and concerned the following aspects in particular:

¹ Bull. EC 3-1977, points 1.3.1 to 1.3.6.

² Points 2.1.53 and 2.1.149.

³ Point 2.1.59.

⁴ Point 1.1.10.

⁵ Point 2.1.56.

⁶ OJ L 28 of 4.2.1971.

⁷ Two delegations, however, made their agreement subject to confirmation and one reserved its position.

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(a) retention of Article 4, which laid down what joint operations were to be decided by the Council with regard to vocational training, e.g. the training of young people;

(b) a request that the Commission should present to the Council a proposal for extending assistance from the Fund under Article 4 to include women, so as to take account of the resolve expressed by the European Council;

(c) the restructuring of Article 5 so that consideration may be given to operations which the Member States carry out in connection with their labour market policies. Such operations would be aimed at solving the problems arising in areas which, because they are less developed or there is a decline in the main activities, suffer a serious and prolonged imbalance in employment, or at facilitating adaptation to the requirements of technical progress of certain branches of economic activity; they would also include those undertaken because of substantial changes in conditions of production or disposal of products in certain groups of undertakings, or which concern the integration or reintegration of handicapped persons into employment.

It is agreed that assistance from the Fund would be granted with due regard to the extent of the employment problems and the economic capacity of the areas in which the operations are carried out.

The Council asked the Permanent Representatives Committee to implement the guidelines it had just set out and to clarify, in contact with the Commission, a number of other points relating to the implementing rules still outstanding. This would enable the Council to take a formal decision in the near future subject, none the less, to the possible instigation of the conciliation procedure with the European Parliament.

Once adopted, the Council's new Decision will replace the Decision of 1 February 1971 concerning the reformed Social Fund as it operates now.

General guidelines of future social policy

1.1.10. Mr Vredeling, Vice-President of the Commission, presented and commented on a Communication on the guiding principles (or general guidelines) of social policy, in the context of the Council Resolution of 21 January 1974 concerning a social action programme.¹

Mr Vredeling referred to the extension of the social affairs portfolio to cover employment policy since January this year and set out, sometimes in detail, certain plans for action on five priority fronts:

(i) Restoring full employment;

(ii) Humanizing work;

(iii) Reducing inequality between rich and poor;

(iv) Promoting social security and public health;

(v) Fostering greater participation in management and decision-making.

He also expressed his views on the role of the Council of Social Affairs Ministers and the need to strengthen this role. The statement will be used as a discussion paper for the next Council meeting.

The European Social Fund and general guidelines of social policy were naturally two of the salient features of the major debate on growth, stability and employment, which was to continue at the European Council Meeting in London on 29 and 30 June.

The European Council in London

1.1.11. According to the scheduled programme, the European Council meeting in London devoted some of its discussion to the problems arising from the economic and social situation.

For this occasion several papers had been laid before the European Council, notably three from

¹ OJ C 13 of 12.2.1974 and Supplement 2/74 — Bull. EC.

the Commission and one from the Board of Governors of the European Investment Bank.

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In a report dealing with Community action concerning the labour market, the Commission paid special attention to the training and employment of young people and women, who are most directly affected by unemployment. The Commission recommended that in addition to strengthening measures already taken by the Community (notably under the European Social Fund), new schemes should be devised to fill in gaps in the present array of instruments.

The first such scheme would involve Social Fund aid to finance recruitment or employment premiums in industries or regions in difficulty, the purpose being to help young people seeking jobs. The second scheme would be to broaden the range of possibilities open to young people by improving training systems, promoting on-the-job training in firms and anticipating certain latent manpower requirements with well-defined programmes (notably in social services, improvement of the environment, health and education.

To ensure that these schemes are successful, the Community should also provide the Member States with technical support for the development of their vocational guidance, placement and training services.

In addition to these schemes, which are aimed mainly at immediate objectives, the Commission also stressed the importance of lasting structural initiatives.

The Commission also sent a communication to the European Council on investment and borrowing in the Community¹ in which it proposed that a new Community borrowing instrument be set up.

In another communication — dealing with the economic situation in the Community — the Commission briefly analysed, with the support of tables of figures, the main points of recent economic developments in the Community coun-

tries and the prospects for the second half of the year.

In a letter to the President of the European Council dated 20 June, the Chairman of the Board of Governors of the European Investment Bank stated that the Bank was prepared, subject to certain conditions and limits, to step up the volume of its operations and direct its assistance mainly at projects which could help towards the attainment of objectives pursued by the Council.

1.1.12. At the end of the meeting, the Council issued the following statement:

Statement on growth, inflation and employment

¹. The European Council reviewed progress and on-going work on the range of problems which it had identified at its March Meeting in Rome, including both action within the Community itself and cooperation at wider international levels.

2. At its March meeting the European Council agreed to seek action on specific labour market problems particularly for young people and women; to encourage high levels of investment in Member States; to halt divergence and promote convergence in their economic performance. The European Council noted the action taken within the Community on all these points.

3. The European Council welcomed the agreement reached on 28 June by the Council (Social Affairs) to improve the effective operation of the European Social Fund. It noted that the Commission would soon be submitting proposals to use the Fund for a scheme directed to the employment problems of women.

4. The European Council attaches particular importance to the problem of structural unemployment among the young. It received a report from the Commission on Community action in the field of the labour market and has called on it to continue its work on the problem. The Council (Social Affairs) was asked to meet in early autumn to consider, in the light of this work and of the results of national measures, what common action might be necessary.

5. The European Council noted with satisfaction the spirit of cooperation between governments, institutions and the so-

¹ Points 1.4.1 and 1.4.2.

2. 1 July 1977: A special date for the customs union

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cial partners which marked the work of the Tripartite Conference of 27 June. The Council hopes that the joint study programme, announced at the end of the Conference, may lead to a strengthening of this spirit of cooperation.

6. The European Council noted the responses of the Commission and the Board of Governors of the EIB to the invitation which it made to them on 26 March 1977 to suggest ways in which the Community might increase and intensify its activities to promote convergence, investment and employment in the Community.

7. The European Council invited the Board of Governors of the EIB to implement its proposals.

8. The European Council also invited the Council (Ministers of Finance and Economic Affairs) to examine as early as possible the Commission's communication on investment and borrowing in the Community.

9. The European Council affirmed the necessity for the Member States to arrive at a common energy policy.

10. The European Council reaffirmed the importance of cooperative efforts by industrial countries to seek a sustained expansion of world economic activity, consistent with further reduction of the rate of inflation and thereby to help reduce unemployment. The European Council expressed its determination that the Community and its Member States should play their appropriate part in this worldwide cooperation. In this connection the European Council noted the commitments made by some heads of government to the achievement of specified growth targets in 1977 and to the review of policies and progress to this end. It also noted that other governments have expressed their intention of continuing their stabilization policies. The European Council was concerned that adequate international financing should be available to support this expansion of world economic activity, and expressed the hope that the efforts being made to this end in the IMF and elsewhere would be successful.

11. The European Council expressed its concern at the employment situation in certain sectors adversely affected by structural changes in the economy. It invited the Commission to continue studying all factors whether structural or otherwise and to indicate the conclusions which it draws from these studies. The European Council also concerned itself with the effects on the employment situation of the open and liberal commercial policy of the Community to which the Community, as the world's largest importer and exporter, remains strongly attached.' 1.2.1. 1 July 1977 is a milestone in the creation of the customs union. Just as 1 July 1968¹ had seen—eighteen months ahead of the schedule laid down in the EEC Treaty—the removal of duties in trade among the six original countries of the Community and the setting-up of the common external tariff, so, nine years later, the customs union is extended to embrace the three new Member States now that the transitional period provided for in the Act of Accession has ended.

As from 1 July, trade between the nine Member States will be completely free of customs duties (with the exception of a small number of products for which duties will be abolished on 1 January 1978).

As from the same day, customs duties in trade with a number of non-member countries linked to the Community by various agreements are also being abolished.

To mark this crucial date in the construction of Europe, on 15 June the Commission—which in 1968 had welcomed in a Declaration the completion of 'the first and major stage on the road to the economic unification of the European continent'²—transmitted to the Council and Parliament a Communication on the State of the Customs Union in mid-1977. The Communication describes the salient features of the customs union as an instrument of European integration, analyses its shortcomings and makes suggestions for improvement.

Towards a Community identity

1.2.2. There is little doubt that the adoption of a common customs tariff in 1968 by the six original Member States represented in itself an enormous achievement. Technically it meant ra-

¹ Bull. EC 7-1968, preliminary chapter and 8-1968, Chapter I.

² Bull. EC 7-1968, preliminary chapter.

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tionalizing the 20 000 or so tariff headings of the existing national tariffs into something like 3 000. Economically and commercially the impact has to be gauged in terms of the phenomenal growth of intra-Community trade.

The setting-up of the tariff and the adoption of the rules which give practical effect to it have also contributed decisively to the international recognition of the European Economic Community. Today no international convention affecting the application of the common customs tariff, whatever the framework in which it is negotiated, can be implemented by the Community unless this convention contains the necessary provisions enabling the Community to accede to it as such. This situation, whilst impressing the importance of the Community on non-member countries, has also made Member States more aware of the common interest since each international negotiation entails the determination of a common position.

The dual role of the customs union

1.2.3. One of the important points which the communication makes is that the customs union plays a dual role in the European construction: it has the obvious and well understood role set by the Treaty which involves the removal of customs duties in trade between Member States and the adoption of a common customs tariff in trade with other countries. But the other role, which is sometimes overlooked, concerns the extent to which the customs union provides the basis of other common policies of the Community. The common commercial policy, the common agricultural policy, development policy, own resources and so on depend to a considerable extent on the proper application of the rules of the customs union. In short, any common policy involving international trade in goods will depend on those rules.

Customs union incomplete

1.2.4. Customs duties in intra-Community trade have disappeared; a common tariff is ap-

plied by the Nine in trade with other countries; a large body of common customs legislation contributes to the application of Community policies. And yet the customs union is still not complete.

As the Commission's paper makes clear, important aspects of customs law have been the subject of Community rules in the form of directives or regulations: common rules exist on the origin of goods, their customs value, Community transit arrangements, customs warehousing, free zones and so on. But not all areas of customs law are yet covered by Community rules and the maintenance of national provisions and requirements in certain key areas means that certain barriers to trade still exist. The fragmentary manner in which it has been necessary to make progress, together with the existence of certain difficult texts, can create uncertainty for users; and all too frequent recourse to the directive rather than regulation has detracted from rather than contributed to uniformity and equality of treatment. Finally, delays in adopting Commission proposals are also cited as a factor slowing down work in completing the customs union.

The way ahead

1.2.5. The communication reaffirms the Commission's commitment to the easily-stated but elusive objective, namely the elimination of controls at intra-Community borders and the establishment of a real internal market.

As regards commercial traffic, the Commission sees further progress in terms of adjustments to the present Community transit system; it also calls for new initiatives to make the man in the street more aware of the reality of the common market—especially in the customs field.

The communication also foreshadows proposals for extending the customs legislation of the Community. These proposals will be inspired mainly by the programme on the approximation of customs legislation adopted by the Commis1 July 1977

sion in April 1971¹ and will naturally take into account the objectives of the 1975 simplification programme.²

Other proposals are envisaged with a view to improving the decision-making machinery particularly as regards the day-to-day administration of Community rules and also with regard to international organizations dealing with customs matters.

The Commission firmly declares the need in the longer term to elaborate a Community customs code. This would be a comprehensive set of legal provisions on customs matters based on what has been achieved so far and governed by principles consistent with the Community's role as the world's number one commercial power.

Elimination of customs duties in trade with certain non-Community countries

1.2.6. The same date—1 July—as well as marking the completion of the customs union between the Nine, also sees the elimination of customs duties in trade with certain non-member countries under a series of agreements the Community has concluded.

This is the case for six EFTA countries: Austria, Finland, Iceland, Norway, Sweden and Switzerland, for which the gradual elimination of customs duties-a similar process to that carried out between the new Member States and the original Six—is complete as from 1 July. The difference is that only the main industrial products are concerned-for Iceland, ECSC products are excluded. For certain sensitive products (notably paper and paperboard), the gradual elimination of duties will continue until 1980 or 1984. In the case of Portugal, the above duties were effectively abolished as from 1 July 1976.

For Israel, too, 1 July marks the end of the process of elimination by the EEC of duties on Israeli industrial products. The agreements recently concluded with Egypt, Jordan, Lebanon and Svria come into force the same day; in those agreements, the EEC has granted zero duty for industrial products from those countries.

It should be pointed out that the Community allows most of the above countries reduced customs duties, sometimes full exemption, on certain agricultural products.

In conclusion, if account is taken of the imports covered by the Lomé Convention (52 beneficiary countries) or the measures taken under the scheme of generalized preferences (140 beneficiary countries or territories), then as from 1 July, Community imports are to a large extent free of customs duties and in this way the Community is setting an example of effective action to eliminate one of the main obstacles to trade.

Crossing borders between Member States

1.2.7. On 27 June the Commission sent a letter to the Member States' Governments in which it draws attention to the special importance it attaches to implementation of the measures contained in its Recommendation of 21 June 1968³ on the circumstances in which customs checks are carried out at border-crossings; Member States were to liberalize their checks at borders between Member States. The Commission recommended them in particular:

(i) to avoid systematic stops at borders between Member States by informing the persons crossing them of their duty-free allowance entitlements and obligations on entering the territory of the Member State concerned;

(ii) to have checks made on private cars and travellers at borders between Member States only in exceptional circumstances.

Bull. EC 6-1971, Chapter IV.

Bull. EC 2-1975, point 2101. OJ L 167 of 17.7.1968.

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3. Common policy on science and technology

Now that the final customs barriers are being removed for almost all products between the nine Member States at the very time of year when there is most travel within the Community, the Commission felt that it should call on the Member States to make border-crossing as trouble-free as possible.

Guidelines and first proposals

1.3.1. Three years after the Council Resolution on the development of a common policy on science and technology,¹ the Commission—as requested—presented to the Council on 30 June a first review of the implementation of this policy. The Commission at the same time proposed the adoption of a new resolution on the 'guidelines' which should govern this policy during the 1977-80 phase (selection criteria for Community action, coordination methods to be developed, etc.).

The Commission also proposed that the Council should take four decisions covering the promotion of industrial research projects and three multiannual research programmes relating to longterm forecasting and assessment—a programme² of special importance—primary raw materials and medicine and public health. Other programme proposals will be presented in the near future to widen the range of sectors in which the Commission is pursuing or intends to pursue research activities.

The experience gained in the first phase of development of the common policy has encouraged the Commission to step up its efforts, particularly as such efforts are undoubtedly called for in the present economic situation. The Community's limited resources (energy and raw materials), the increasingly acute problems of its economic and industrial development, of aid to the developing countries and of the improvement of working and living conditions—all these are problems which science and technology could help in no small measure to solve.

This applies with all the more force as the Community's scientific and technological potential is rich, varied and competitive. But the human and financial resources which the separate Member States can devote to research and development are limited, which is why a common policy is so

¹ OJ C 7 of 27.1.1974 and Bull. EC 1-1974, points 1401 to 1406.

² Point 1.3.4.

Science and technology

important. By implementing joint R & D schemes and coordinating national R & D policies in the sectors recognized as having priority status, the Community can obtain results which some Member States would find it difficult to achieve on their own (this is borne out by Community R & D work on controlled thermonuclear fusion and new energy sources).

Guidelines

1.3.2. In the Communication and Resolution, which it presented to the Council on 30 June, the Commission proposed continuing the preparation and implementation of research and development projects in four priority sectors:

- (i) resources: energy, agriculture, raw materials;
- (ii) environment;
- (iii) economic and industrial development;
- (iv) life in society.

The Community projects envisaged are or will be drawn up on the bais of the principles and criteria proposed by the Commission (greater effectiveness, transnational projects, need for a large market, common requirements of the Member States) and within the confines of available funds estimated at 1 215 million u.a. for the period 1977-80.

For the coordination of national R & D activities the Commission feels that a pragmatic approach should be adopted and that coordination should for the time being be confined to those sectors in which direct, indirect or concerted action is to be undertaken. It feels that it could be helped effectively in this task by the Advisory Committees on Programme Management (ACPM) and therefore proposes that the Council should amend the terms of reference of these Committees accordingly.

As far as basic research is concerned, the Commission reaffirms its interest in the work of the European Science Foundation. It feels that Community support could be given to this Foundation in certain circumstances.

Furthermore, the Commission is aware of the need to make more effective use of the results of Community research; it would therefore like to have the backing of a specialist advisory Committee, operating in the framework of the Scientific and Technical Research Committee (CREST), to help it to define and implement suitable measures for achieving this end.

Finally, the Commission considers that special attention should be paid to evaluating the results of Community research. In the light of such evaluation it intends, with the assistance of CREST, to undertake a general review of the Community's scientific and technical activities at the end of 1979. In pursuance of this task, it will consult the Committees which have been set up to assist the Community authorities in the various fields of science and technology (Standing Committee on Agricultural Research, Advisory Committee on Fusion, etc.). Only if it has a complete and coherent overall view of the situation will it be able in 1980 to propose the aims and guidelines for the next phase of implementation of the common policy in the field of science and technology.

Since it is impossible to prepare such proposals without the cooperation of national experts, and in particular without detailed information about the Member States' programmes, the Commission would like to have the Council's agreement on this point.

Promotion of industrial research projects

1.3.3. In the fourth medium-term economic policy programme¹ emphasis is laid, among other things, on the benefit which the Community could derive from encouraging small- and medium-sized undertakings, particularly in their access to new technological developments.

¹ Bull. EC 9-1976, points 1101 to 1103.

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Furthermore, on 10 May¹ Parliament adopted a Resolution to the effect that industrial research projects should be encouraged in the sectors which have a deficit on the balance of patents and licences. The Commission intends that support be granted to undertakings-particularly those of small- and medium-size-whose R & D projects could contribute towards the attainment of the Community's aims. It intends to give financial assistance to such undertakings wishing to cooperate on a Community basis, or to those which already have cooperative links. The amount of such assistance would be laid down by contract, in each case, after consultation of an advisory committee on industrial research, to be set up under the aegis of the Commission.

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Research programme on forecasting and assessment

1.3.4. All the medium-term measures to be taken to implement the common policy in the field of sience and technology must be backed up by identification of the long-term objectives and priorities of that policy.

The Commission therefore feels that it is essential to undertake some research in forecasting and assessment. In the light of the findings of many groups of experts, and particularly the conclusions of the 'Europe +30' Study² launched in 1974, it intends to ascertain what research activities are under way in this field in the Community and, using the information collected, to identify the factors which could influence the Community's long-term development and the ways in which R & D could help to solve any problems arising. Consequently, the Commission intends to set up a system of cooperation between institutions and bodies specializing in this field in the various Member States. The cost of the research programme, which will cover a period of five years (1978-82) is estimated at 4.4 million u.a., and the number of staff to be assigned to it will be ten.

As the Commission indicated in a Communication which it forwarded to the Council on 27 June on the follow-up to the 'Europe +30' feasibility study, activities under the Commission's proposed programme will have a central part to play during this pilot phase, acting as a catalyst to develop forecasting work within the Community and to coordinate such work and make maximum use of the information analysed and compiled.

At the end of this five-year pilot phase, the Commission will review what has been achieved in the coordination of forecasting work and the utilization of results. The review will then serve to determine the usefulness or nature of a second phase as a follow-up to the 'Europe +30' feasibility study.

Research and development programme for primary raw materials

1.3.5. On 28 June, the Commission presented to the Council a proposal on a multiannual research and development programme for primary raw materials to be implemented under the indirect action procedure (shared-cost contracts) during the period 1978-81. The estimated cost to the Community budget is 23 million u.a., including the salaries of the eleven employees who will be assigned to the execution of the programme.

This proposal is the first in a series of research and development proposals designed to help to secure the Community's supply of raw materials, with the twin objective of increasing the Community's self-supply potential through the exploitation of its own mineral resources and of possibilities for recycling resources and of developing technologies which industry in the Community could use in its operations all over the world.

This first proposal covers non-ferrous metals and other mineral resources. It comprises three main

¹ Bull. EC 5-1977, point 2.3.21 and OJ C 133 of 6.6.1977.

² Bull. EC 1-1974, point 2245 and 9-1975, point 2243.

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areas of research: exploration of concealed and deep-seated deposits by improving geological knowledge developing prospecting methods, ore processing (particularly of the low-grade or complex type) and mining technology (especially with regard to deep-seated deposits and high-grade, low-tonnage deposits).

The Commission will shortly present other proposals in the field of raw materials,¹ particularly on the recycling of paper and paperboard and on research and development to encourage uranium prospecting and extraction.

First programme of research on medicine and public health

1.3.6. On 23 June the Commission presented to the Council a proposal for a first research programme for medicine and public health consisting of three concerted action projects lasting either three or four years. The cost of coordinating the projects, estimated at 1.09 million u.a. for the periods covered, will be charged to the Community budget. Once the appropriate decisions have been taken by the Council, non-Community countries participating in COST projects will be invited to join in this first programme.

The research proposed covers three specific subjects: the preparation of harmonized registers of congenital anomalies (1978-80), with a view to obtaining a viable statistical basis for monitoring the incidence and frequency of congenital anomalies and to taking the necessary measures at a sufficiently early stage; cell ageing and reduction in the functional capacity of organs (1978-81)-particularly the liver, crystalline lens and system of immunity—in order to gain an understanding of the process of physiological ageing manifesting itself in every individual; and extracorporal oxygenation (1978-81), with a view to improving the principles at present applied and of developing other methods facilitating long-term clinical treatment.

This programme is the first in a series of proposed concerted action research projects, the objectives of which are to meet the medico-social and economic needs of Member States in order gradually to coordinate national research activities in this sector at Community level. The Commission intends shortly to present to the Council a second programme covering several other subjects of importance to the Community, including preventive medicine, early detection of diseases and rehabilitation.

Point 2.1.134.

Community loans

4. A new Community borrowing instrument

Commission proposal

1.4.1. In response to a call made by the European Council at its meeting on 25 and 26 March 1977,¹ the Commission-concerned at the sluggishness of investment in the Community in recent years and at the serious repercussions that this tendency would have on growth and employment if not checked-proposed in a Communication to the European Council meeting on 29 and 30 June² that a new borrowing instrument be set up to raise funds for financing structural investment projects in line with the Community's priority objectives, notably for energy, industrial conversion and infrastructure, with due account being taken of the regional impact.

The Commission's aim is to equip the Community with a further instrument to support certain categories of investment recognized as having priority and to act as a catalyst. Having already taken measures to strengthen and improve the coordination of existing intervention mechanisms, the Commission feels that greater recourse must now be had to borrowing, but this cannot be achieved to the necessary extent by developing together the existing financial instruments (ECSC, Euratom, EIB), in view of the restrictions imposed on them by their capital or limited field of action.

1.4.2. The full Communication is as follows:

Investment and borrowing in the Community

1. The development of investment is a necessary precondition for any policy aimed at fighting unemployment on the basis of inflation-free growth.

The Member States with balance of payments deficits must establish balance growth based on a combination of investment and exports. The Member States with surpluses must develop their domestic demand, and particularly investment, on a reasonable basis.

Production structures in the Community must be modernized and adapted on an unprecedented scale to deal with changes in the world economy. Thus, in the field of energy alone, investment totalling more than 250 000 million EUA is anticipated between now and 1985.

2. However, the trend over recent years has not been favourable: the share of gross fixed capital formation in GDP fell from 23%, the average rate for 1970-73, to 20.5% in 1977. In the productive sector, investors remain hesitant, even where profit margins are improving.

This situation calls for rapid improvement. It was for this reason that the European Council, meeting on 25 March 1977, agreed to initiate Community action in order to achieve a higher level of investment in the Member States. For this purpose, the European Council invited on the one hand the Commission, particularly through more effective use of Community instruments, and on the other hand the European Investment Bank, to seek means of improving the effectiveness of their activities.

4. Looked at from the broadest angle of perspective, this goal implies firstly that, by backing up policies to restore stability by fighting inflation and achieving a sufficient consensus, the Community must encourage the re-establishment of a climate of confidence and the creation of an environment which will favour investment. The Community must also help to improve understanding of the central role of investment within the context of a policy to improve employment through lasting and healthy growth.

These various aspects will be included in the work being pursued by the Council of Ministers for Financial Affairs.

5. From the angle of the Community's specific contribution to the development of investment through better use of Community instruments:

(i) the Commission has taken the necessary measures to strengthen the consistency of intervention policies and to improve coordination of available resources, whether budgetary or obtained on the capital market. It will pursue this action with determination:

(ii) it also believes that the Community can effectively contribute to the carrying out of investment projects which, without its intervention, would have been postponed or cancelled. It is this latter aspect which will be dealt with particularly in this memo.

Bull. EC 3-1977, point 2.1.1. Points 1.1.11 and 1.1.12. 1

Community loans

Community loans

6. Community action to support investment cannot take the place of action by industry or by governments. What the Community must do, in well defined areas, is to facilitate or advance the setting up of useful operations, to make possible the financing of priority programmes at Community level, and to act as a catalyst, with a real leadership and financial impact going well beyond the apparent volume of Community intervention involved.

7. This contribution to the recovery investment must lead to increased recourse to borrowing, because of its objective and the limits of direct budget financing (despite the forthcoming application of the system of own resources).

The Community's contribution will be based on strengthening existing financial instruments (ECSC, Euratom and the EIB). For this purpose, their development should be planned according to a jointly determined plan. This communication has, moreover, been drawn up in complete compatibility with the EIB's working hypotheses.

8. However:

(i) capital restrictions (EIB) and restrictions which limit their field of action (ECSC and Euratom) do not allow the extension of commitments beyond certain thresholds. A further name on the markets could therefore contribute towards an enlargement of Community loan possibilities;

(ii) the nature of the interventions envisaged, on the basis of programmes to support given policies, justifies recourse to a mechanism which is itself specific and adapted to this type of action.

9. Consequently, the Commission proposes the setting up ofa new instrument designed to borrow on the financial markets and to grant loans on the same conditions, for the financing of structural investment projects in line with the Community's priority objectives.

This new instrument, which would be based on Article 235 of the EEC Treaty, should be developed gradually. This approach would take account of what the financial markets can provide, the timing of investment projects with a Community interest and, bearing in mind the expected development of operations by the ECSC, Euratom and the EIB, the need to maintain the Community's credit-worthiness on the markets.

10. In order to make the best possible use of Community credit:

 there must be coordination of the various financial interventions both within the Commission and with the EIB (this coordination is already carried out with regard to the volume of loans envisaged each year and the timetable for issues);

(ii) account must be taken of what the markets can provide. In this respect, it may be estimated that the various European "names" could gradually raise the total from 3-3.5 to 4.5 billion a year on the long-term fixed-interest market over the next three years. This does not allow much room for manceuvre in the short-term compared to the existing level of Community borrowing,

The Community could no doubt borrow considerably greater sums on the variable interest market, but this would lead to unforeseeable costs. For this reason the Community has not used floating rate loans except as an interim measure, for example to make possible the balance of payments financing programme.

11. In the light of this analysis and using the same kind of technique as was used in the Community loans for overcoming balance of payments problems, the Commission envisages a mechanism based on:

(i) standing borrowing powers up to a ceiling of 1 000 million EUA of capital;

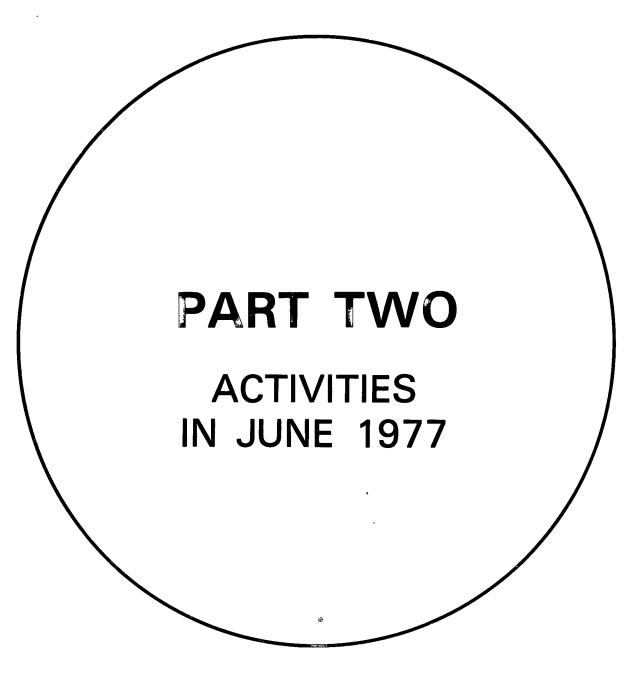
(ii) the principle of only activating borrowing powers later with the approval of the Council tranche by tranche.

12. Each tranche would have a specified purpose, depending on the kind of programme undertaken. The first tranches would be applied giving priority to structural investment programmes having a Community interest in the fields of energy, industrial reconversion and infrastructure, taking account of the regional impact of the latter.

13. The Commission would be responsible for raising the loans and would take the final decision on the eligibility of loan requests. For simplicity and efficiency, the Commission would give the EIB power to make the individual loans for eligible projects.

14. In conclusion, the Commission asks the Council to approve the creation of a new Community loan instrument to finance priority Community structural investments.

The Commission will later define how the new instrument will operate and in due course make a formal proposal to the Council.'



Economic and monetary policy

1. Building the Community

Economic and monetary policy

Coordination of economic policies

2.1.1. At a meeting held on 20 June in Brussels, with Mr Denis Healey, United Kingdom Chancellor of the Exchequer, in the chair, the Council (Economic and Financial Affairs) discussed generally the subjects on the agenda of the Tripartite Conference, due to be held in Luxembourg on 27 June.¹ The main topics were the situation and outlook with regard to growth, stability, and inflation.

The Council also held preliminary discussions on the Commission's communication to the European Council, entitled 'Investment and borrowing in the Community',² in preparation for the meeting of the European Council scheduled for 29 and 30 June, in London.³ Mr Ortoli, Vice-President of the Commission, made a statement describing how the proposal in the document for the creation of a new Community loan instrument to finance priority Community structural investments fitted in with the present economic context. He emphasized that the fight against unemployment could be won only if there was healthy and durable growth, which, in turn, required a sustained high level of investment. The Community should act as a catalyst for investment.º using existing financial instruments, suitably developed, and the proposed new loan instrument.

Community loan

2.1.2. In accordance with a decision taken by the Council at its meeting on 14 June,⁴ Commission representatives acting on behalf of the European Economic Community signed a firm agreement in New York on 29 June for the issue in the United States of bonds worth \$100 million, on the following terms:

• form of the loan: bearer coupon notes in the denomination of US\$1000; registered notes in the denomination of US\$1000 and any multiple thereof:

• redemption: at par on 1 July 1982;

• interest: 7%% per annum payable semi-annually, on 1 January and 1 July;

issue price: at par;

managing underwriters: Morgan Stanley & Co. Incorporated;

 co-managers: The First Boston Corporation; Kuhn, Loeb & Co.; Lehman Brothers Incorporated; Salomon Brothers.

This operation will finance repayment of the final tranche of \$100 million of the variable-rate loan of \$ 300 million, concluded by the European Economic Community in March 1976.5 The first two tranches of this loan, also for \$100 million each, were repaid in October 19766 and March 1977,⁷ by means, respectively, of the yield from a fixed-rate bond issue floated in the United States and a fixed-rate bank loan made by a syndicate of Dutch banks. The new consolidation operation, like the previous one, complies with the wish, expressed by the Council in March 1976, that Community loans should be issued as far as possible at fixed rates.

The funds raised have been on-lent on the same terms to Italy and Ireland, in the same proportions as the loans they were granted in 1976,⁸ i.e. 10/13 and 3/13 respectively.

Protective measures in the United Kingdom

2.1.3. On 28 June, the Commission adopted a Decision⁹ amending its Decision of 23 July 1975¹⁰

- 2 Points 1.1.11 and 1.1.12.
- 3 Points 1.4.1 and 1.4.2.
- 4 OJ L 149 of 17.6.1977. 5
- Bull. EC 3-1976, point 2202. Bull. EC 9-1976, point 2203.
- Bull. EC 3-1977, point 2203. Bull. EC 3-1976, point 2.1.5. Bull. EC 3-1976, point 2201. OJ L 179 of 19.7.1977.
- 9
- 10 OJ L 211 of 9.8.1975; Bull. EC 7/8-1975, point 2212.

¹ Points 1.1.2 to 1.1.7.

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authorizing the United Kingdom to take certain protective measures in accordance with Article 108(3) of the EEC Treaty in respect of the capital movements referred to in Article 124(1) (a) and (b) of the Act of Accession. The capital movements in question are the following: direct investments in other Member States by United Kingdom residents and their liquidation: transfers of capital belonging to United Kingdom residents who are emigrating, other than transfers connected with freedom of movement for workers, liberalized from the date of accession; gifts and endowments, dowries, succession duties and real estate investments other than those connected with freedom of movement for workers, which were liberalized from the date of accession.

The Commission decided on 27 July 1976¹ to maintain until 30 June 1977 the authorization it had given to the United Kingdom in 1975. The Commission's latest decision, taken further to an examination of the economic situation in the United Kingdom, also extends to self-employed workers the exemptions granted for wage-earners in the Decision of 23 July 1975: there is no longer any justification for excluding self-employed workers, since they can now move freely in the Community in accordance with Article 52 of the EEC Treaty.

The Commission decided to keep under close review the development of the economic situation in the United Kingdom and to examine the situation before 31 December 1977. It may, however, revoke or amend the decision prior to its expiry should the economic situation in the United Kingdom show a significant improvement.

Monetary Committee

2.1.4. The Monetary Committee held its 231st meeting in Brussels on 9 June, with Mr Pöhl in the chair. It examined in detail recent developments concerning international payments problems relevant to the Community, and the outlook; it adopted an Opinion for the Council and

to the Commission on the conversion rates applicable for the currencies of a number of Member States in the agricultural sector; lastly, it paid tribute to one of its most eminent senior members, Mr Emminger, who was leaving the Committee following his appointment as President of the Bundesbank.

The Working Party on the *Harmonization of Monetary Policy Instruments*, meeting in Basle on 3 June, adopted the outline of an interim report that it was planning to submit at a later date.

Economic Policy Committee

2.1.5. The Economic Policy Committee held three meetings in Brussels during June:

• the 47th, on 1 and 2 June, with Mr Maldague in the chair; the Committee examined in detail the Commission's contribution to the Tripartite Conference held on 27 June² and, as requested, adopted an Opinion on this subject for the Council;

• the 48th, on 29 June, in its reduced 'shortterm' composition, with Mr Cortesse in the chair; the meeting was given over entirely to preparation of the second review of the economic situation in the Community;

• the 49th, on 30 June, with Mr Maldague in the chair; the Committee discussed the revised medium-term projections and studied the problems concerning investment; in accordance with the work programme it had set itself, it then examined the draft report it was planning to submit to the Council on all the subjects it had discussed.

The Group of Experts on *Economic Budgets* met on 13 June to discuss the preliminary economic budgets for 1978. Although endorsing the substance of the analysis made by the Commission's departments, the members of the Group were slightly more optimistic as regards the general

¹ Bull. EC 7/8-1976, point 2203. ² Point 1.1.3.

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pattern of economic development: gross domestic product in the Community as a whole was expected to rise at a rate approaching 3.5% in 1977 and 4% in 1978. A more buoyant growth rate was not expected to prevent a definite improvement in internal and external equilibria.

At a meeting scheduled for late September, the Group will review the forecasts for 1978 on the basis of a document setting out the revised preliminary economic budgets for 1978.

At a meeting scheduled for late September, the Group will review the forecasts for 1978 on the basis of a document setting out the revised preliminary economic budgets for 1978.

The Committee of Experts on Short-term Economic Policy met on 28 June to examine the report on the economic situation in the Community drawn up by the Commission's departments. Generally, the experts agreed with the analysis of the situation, particularly that part of it relating to persisting high unemployment and price strain in most member countries. As regards the outlook for the months ahead, fresh difficulties might arise on the employment market in spite of a slightly brisker trend of demand and production. However, the basic factors governing internal and external equilibrium should show an improvement in the second half of the year.

Report of the 'Optica' Group

2.1.6. The 'Optica' Group, made up of independent experts appointed in a personal capacity by the Commission, has submitted its 'Optica Report 1976 — Inflation and exchange rates: Evidence and policy guidelines for the European Community'.¹ This report—which, of course, reflects only the views of the experts in the Group, chaired by Professor Basevi of the University of Bologna—is concerned with three main subjects: origins and consequences of exchange rate changes; enforcing purchasing power parity (PPP) in the exchange markets (a rule for the convergence of inflation rates); the attractiveness of a European parallel currency (EPC). The main conclusions arrived at by the experts are summarized below.

The marked divergences between member countries' inflation rates, which significantly influence exchange rate changes, represent a major obstacle to monetary union, seen as an institutional structure set up by countries wishing to establish an economic union so as to minimize the inefficiencies inherent in the use and management of money within the union. Empirical evidence shows that, over a long period there exists quite a close link between exchange rate changes and changes in inflation rate differentials: a study of the effective exchange rate movements of eighteen currencies in the period 1963-75 has shown that 80% of the variability of exchange rates was attributable to the differential movements of wholesale prices. It thus appears that exchange rates tend in the long run to move in line with discrepancies between inflation rates, that is to say towards an equilibrium corresponding to the purchasing power parity (PPP).

The experts in the Optica Group believe that inflation rates will continue to diverge for some time to come since the national political authorities feel that the short-term costs of adjustment to a lower rate of inflation are relatively high. Consequently, since long-term adjustment costs are, on the contrary, negligible in terms of the benefits accruing from a European monetary union having a moderate rate of inflation, the experts propose that the countries of the Community should agree to manage their exchange rates on the basis of reference rates that would fluctuate in line with the relative movements in their

¹ This is the last in a series of reports drawn up, at the Commission's request, by groups of independent experts and dealing with the general subject of economic and monetary union: 'European Economic Integration and Monetary Unification' (October 1973); 'Economic and Monetary Union 1980' (March 1975); 'Optica Report '75' — Towards Economic Equilibrium and Monetary Unification in Europe' (January 1976).

wholesale price indexes. In order to ensure that PPP is enforced, the monetary authorities would intervene on the markets in accordance with rules designed to reduce divergences between exchange rates by not allowing a country's currency to depreciate when market forces are tending to push up its value or to appreciate to an extent incompatible with PPP. According to the experts, the proposed intervention arrangements would facilitate the adoption of monetary and budget policies aimed at harmonizing the member countries' rates of inflation at a low level. They would also help the countries to break out of the 'vicious circles' in which they are caught and in which temporary exchange rate changes may influence prices and may, ultimately, be reflected permanently in exchange rates.

As for the third point, the report draws attention to the familiar argument that a fully indexed European parallel currency (EPC) might penetrate the national markets too rapidly and, as a result, the governments would be unwilling to take the risk of allowing their residents to use it. The experts take the view that this argument is not entirely convincing: the governments would not only be in a position to counter interest rate movements but would also be well equipped to influence the velocity of penetration of the EPC. If all transactions with the public authorities, especially the payment of taxes, were effected in national currency, use of the EPC for private transactions would be substantially restricted on account of the exchange risk. Such measures would clearly reduce the efficiency gains inherent in the EPC.

Report of the Study Group on the Role of Public Finance in European Integration

2.1.7. The Study Group on the *Role of Public Finance in European Integration*, which is made up of independent experts appointed in a personal capacity by the Commission, has submitted its eport, which is the fruit of two years' research. The report—which, of course, reflects only the views of the members of the Group, chaired by Sir Donald MacDougall, adviser to the *Confederation of British Industry*—comprises two volumes, the first of which (general report) is based extensively on the analytical work described in the second volume, which contains the individual contributions and working papers.

The report examines one of the three major aspects of economic union, namely the role of public finance—the others being the free movement of goods and services and monetary union. The role of public finance, which has hitherto been rather neglected, covers not only taxation and public expenditure but also the many regulatory, coordinating and non-budgetary activities which are features of existing economic unions.

The bulk of the work consists in a detailed quantitative study of the role of public finances in five federal States (Federal Republic of Germany, United States, Canada, Australia, Switzerland) and three unitary States (France, Italy, United Kingdom), and more particularly the financial relationships between the different levels of government and the economic effects of public finance on the geographical regions within these countries. The Group also studied much of the voluminous theoretical literature on 'fiscal federalism', the main purpose being to throw light on the future financial role of the European Community.

In its general conclusions, the report states that 'it is most unlikely that the Community will be anything like so fully integrated in the field of public finance for many years to come as the existing economic unions we have studied. Nevertheless, we believe that our analysis helps to throw light on the ways in which the public finance activities of the Community might be expanded and improved during, say, the next decade. We do not make any definite recommendations (although we describe a possible package, with options, to help focus discussion); but we hope that the orders of magnitude we present

Internal market and industrial affairs

will help to put the political debate on these matters in perspective, that our analysis will help those who have to decide the direction in which Community expenditures (and revenues) might be extended, and that it will also help those who have to determine which of the many possible techniques would be most appropriate: our analysis of other countries provides a rich treasure house of experience—including mistakes to be avoided.'

2.1.8. The Economic and Social Committee, meeting in plenary session on 23 June, adopted its Opinion¹ on the present economic situation in the Community.

Internal market and industrial affairs

Free movement of goods

Removal of technical barriers to trade

2.1.9. In June, an important step forward was taken in the implementation of the general programme for the removal of technical barriers to trade with the adoption of new rules relating to motor vehicles and tractors.

At its meeting on 28 and 29 June in Luxembourg, the Council approved a total of seven new Directives, of which three—relating to lighting equipment—marked the final stage in the adoption of Community rules in this critical area.

Motor vehicles

2.1.10. The five motor vehicle Directives—four of which were adopted and the other (field of vision) approved subject to finalization of the text—relate to safety belts and restraint systems, rear fog-lamps, reversing lamps, parking lamps and the driver's field of vision.

The Directive on safety belts and restraint systems contains provisions not only on the construction and performance required of these devices, but also on their attachment to the vehicle. In order to obtain EEC type-approval, manufacturers will now have to equip all seats in the car with safety belts, and for the two outermost front seats the belts will have to be of the three-point inertia-reel type.

The three Directives on lighting (rear fog-lamps, reversing lamps and parking lamps) lay down specifications for the construction of the lamps; the rules on their installation are already contained in the Directive relating to the installation of lighting and light-signalling devices on motor vehicles and their trailers, which was adopted by the Council on 27 July 1976.² With the adoption of these three new Directives, the Community rules on all lighting and light-signalling equipment in motor vehicles and their trailers are now complete.

The Council also approved a Directive on the field of vision in motor vehicles. This Directive is of special importance for the removal of technical barriers, since the field of vision is a characteristic which affects the design of the whole vehicle.

These new decisions bring the number of Directives adopted or approved since 1970 up to a total of thirty-five—seven of them in the first half of 1977. Council bodies are still examining another eight proposals presented by the Commission, as well as a proposal to amend the outline Directive of 6 February 1970³ relating to type-approval of motor vehicles and their trailers.

Point 2.3.51.

 ² OJ L 262 of 27.9.1976.
 ³ OJ L 42 of 23.2.1970.

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Tractors

2.1.11. The Council adopted two Directives concerning wheeled agricultural and forestry tractors. One of these-relating to roll-over protection devices-is expected to make a most important contribution to the safety of tractors travelling on the roads or working in the fields. For the purposes of EEC type-approval, every tractor will now have to be provided with a safety cab or frame complying with the specifications for construction and testing laid down in the Directive.

The other Directive aims at limiting the emission of fumes from the diesel engines of tractors under conditions typical of operation on the roads.

Fertilizers

2.1.12. On 22 June the Commission adopted a Directive on the approximation of the laws of the Member States relating to sampling and methods of analysis for fertilizers. The adoption of this measure will permit the actual implementation of the Council Directive of 18 December 1975,1 which provided in particular for official inspections of the composition of fertilizers placed on the Community market. The Council Directive could not take full effect until the methods of sampling and analysis necessary for these inspections had been determined by the Commission. This has now been done.

Food products

2.1.13. On 27 June² the Council adopted a Directive on the approximation of the laws of the Member States relating to coffee and chicory extracts. A proposal in this connection had been presented by the Commission on 23 March 1973. The new Directive is not applicable to the more complex blends of coffee and chicory, nor to coffee substitutes, but it is a notable step forward in this field.

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2.1.14. On 16 June³ Parliament adopted a Resolution on the free movement of goods in which it noted with concern that administrative barriers at frontiers inside the Community were hampering the policy of integration and preventing the implementation of the free movement of goods within the common market.

Industrial structures and problems

Iron and steel

Operation of the crisis plan

2.1.15. On 28 June, the Commission took stock of the first results of its crisis plan, and found them on the whole satisfactory; it decided to go forward to the next stage and add a number of new items to the pricing measures it has taken at the beginning of May.4

Minimum prices — Almost all the companies producing concrete reinforcing bars have amended their price lists to incorporate the minimum levels of basic prices. Commission staff are ensuring that this is done by on-site checks and by holding talks with companies facing special problems. The Commission considers that under current market conditions the minimum prices now in force should be maintained.

Guidance prices — The Commission found that, after a necessary period of adjustment, companies

¹ OJ L 24 of 30.1.1976.

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OJ L 172 of 12.7.1977. OJ C 163 of 11.7.1977 and point 2.3.8. Bull. EC 5-1977, point 2.1.6. 3

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Internal market and industrial affairs

accounting for 90% of total production have undertaken to adhere to the prices published by the Commission, and have adjusted their price lists accordingly. This percentage will increase in the near future. The guidance prices are gradually having an effect on the market, which is still influenced by orders accepted by steel companies before the new prices came into force. On 28 June, the Commission was pleased to note that the guidance prices recommended as from 23 May were governing price levels on the steel market in most of the Community.

Conditions are now ripe to embark on a further stage. The Commission therefore intends to inform the Council and the ECSC Consultative Committee about a second set of guidance prices for products for which it has established individual delivery programmes.

These new prices will vary by the following amounts from the guidance prices published earlier :

cold-reduced sheet	+ 5%
lengths cut from coils	+12.5%
heavy and medium plate	+14.5%
merchant bars	+ 5%
beams	+ 2.5%
wire rod	unchanged

Also featuring in the Commission's delivery programme for the first time will be hot-rolled wide strip and hoop and strip. This is justified on technical grounds as these products are linked to other rolled products already included in the crisis plan; this step is therefore necessary if the system of delivery quotas is to work efficiently. For these products too, the Commission will publish guidance prices that will be in keeping with the prices for cold-reduced sheet, lengths cut from coils and heavy and medium plate.

The new guidance prices have been set at a level that will help to restore profitability whilst ensuring that prices in the Community remain below the domestic market prices published by the large representative steel companies in Japan and the United States, so that industries farther down the production line can remain competitive.

The Commission also noted that checks in steel companies to ensure that minimum prices are observed started in June and would be stepped up in the weeks ahead.

Work on other aspects of the steel policy, i.e. reorganization of the industry, regional conversion and redeployment of workers, is continuing. It was with these vital objectives in view that the Commission took its decisions of 6 April.¹ After its survey of progress on 28 June, the Commission is more than ever bent on radical action as the only means of making the steel industry competitive, viable and able to offer stable employment.

Forward programme for steel

2.1.16. On 23 June, the Commission formally adopted the forward programme for steel for the second half of 1977,² which it had approved at first reading on 8 June; the ECSC Consultative Committee, meeting in Luxembourg on 16 June,³ had signified its agreement to this document.

Owing to the continuing stagnation of activity in the steel-consuming industries in the Community, no significant change is expected in the level of steel production before the end of 1977. The main details of the programme are shown in Table 1.

In the light of the current situation in the steel industry and the prospects outlined in the programme, the Commission decided to apply the package of crisis measures up to the end of 1977⁴ (voluntary delivery restraint adopted at the end of 1976, and the minimum prices for reinforcing bars plus guidance prices for other product categories).

¹ Bull. EC 4-1977, points 2.1.14 to 2.1.17.

² OJ C 159 of 7.7.1977.

³ Point 2.3.73.

⁴ Bull. EC 5-1977, point 2.1.6.

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Quarter	1/74	1/76	II/76	111/76	IV/76	111/77	IV/77
Real consumption	34.59	30.54	30.75	28.17	30.11	29.40	30.90
Stock changes	- 0.26	+ 0.68	+ 2.49	+ 3.15	- 0.20	_	-
Imports	2.06	2.78	3.43	3.30	3.23	2.50	2.50
Exports	7.09	4.38	4.69	5.78	6.29	6.35	6.40
Production	39.35	32.82	34.50	33.80	32.97	33.25	34.80

Table 1 — Forecast of supply and demand for steel products in the Community (million tonnes of crude steel)

Investment in the steel industry

2.1.17. On 29 June the Commission spokesman made the following statement concerning a letter from Mr Davignon to the Italian Minister for Industry concerning investment in the steel industrv:

'In the course of the contact it maintains with Member States' Governments to help improve the coherence and effectiveness of the structural reorganization of the Community steel industry. the Commission has informed the national authorities, during talks or by letter, of its desire to be associated with the elaboration of reorganization plans, which must form the framework for coordinating national and Community aid. In view of the continuing disequilibrium on the world and Community steel markets, the creation of new production capacity should, in the reorganization plans, go together with the replacement of existing out-dated capacity.

The Commission has made its views known to the Italian and other Governments, without at present referring to any specific point.

Industrial loans

2.1.18. On a proposal from the Commission, the Council, acting under paragraph 2 of Article 54 of the ECSC Treaty, gave its assent on 14 June¹ to the granting of a loan of \$20 million (approximately 18 million EUA) to facilitate the implementation of an investment programme outside the Community (Brazil) which will contribute to the supply of raw materials to companies within the Finsider International Group (Luxembourg).

The aim of the investment programme is to install a pelletizing plant with a potential production capacity of 3 million tonnes per year. T_e plant is to be built by the Itabrasco Compror Vitoria, Brazil, which has undertaken $t_{y}^{(p)}$ virtually its entire production to the virtually its entire production to the Group.

situation

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£28 2.1.19. Pursuant to Article 54 Treaty, the Commission has may find million to the North Sea Iron C_{arrow} Treaty, the Commission has mad loan will help finance the convict on an This will provide a number additional source of raw

Shipbuilding

2.1.20. Imports in shipbuilding

OJ C 147

Internal market and industrial affairs

the OECD Working Party on Shipbuilding met¹ against the background of the crisis currently affecting this industry in the Community.

The Working Party devoted most of its attention to a detailed consideration of the temporary protective measures suggested by certain Member States. The Community's partners, particularly Japan, have declared that they understand this action, particularly since it is designed to help solve the problems of restoring market equilibrium.

A study was also initiated into the role and development of the shipbuilding industry in non-OECD countries. This study would be expanded at a later date so that this factor could be taken into account in assessing the aims and objectives of OECD partners and the resultant problems.

It was also agreed at the meeting to keep a close watch on the way the credit facilities available under present OECD arrangements were used in order to prevent possible abuse and to obtain greater transparency in these operations.

B.

Exemovement of persons

& establishment and freedom 10 services

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is meeting of 27 June,² the Council ted two Directives; one concerns ognition of diplomas, certificates ve of the formal qualifications of le for general care, including ate the effective exercise of the vent and freedom to provide concerns the coordination of by law, regulation or adminspect of the activities of general care.

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At the same time, the Council decided to set up an Advisory Committee on Training in Nursing and amended its Decision of 16 June 1975³ setting up a Committee of Senior Officials on Public Health.

These instruments are intended to facilitate the effective exercise of the righ of establishment and freedom to provide services for nurses responsible for general care, both employed and self-employed, in the Community as a whole. In the medical field this is the second case, after that of doctors,⁴ for which Community rules governing the effective exercise of the right of establishment and freedom to provide services have been introduced.

The enacting terms provide for the coordination of conditions of training and the recognition of diplomas; and lay down the conditions of acceptance for those concerned, requirements regarding proof of good character and good repute, professional supervision and discipline and the conditions for the use of the title.

Companies

European Cooperation Grouping

2.1.22. On 14 June,⁵ Parliament gave its Opinion on the proposal which the Commission laid before the Council on 21 December 19736 relating to the formation of a European Cooperation Grouping (ECG), a new legal instrument enabling, in particular, small- and medium-sized companies to forge links of cooperation across frontiers.

¹ Point 2.2.47.

OJ L 176 of 15.7.1977.

³ OJ L 167 of 30.6.1975 and Bull. EC 6-1975, point 2272. ⁴ Bull. EC 2-1975, points 1201 to 1204 and 6-1975, point 2272; OJ L 167 of 30.6.1975 and C 146 of 1.7.1975.

Point 2.3.7.

Supplement 1/74 — Bull. EC.

Customs union

Customs union

Customs union

A special date: 1 July 1977

2.1.23. The transition period for the customs union laid down by the Act concerning the Accession to the Community of three new Member States (Denmark, Ireland and the United Kingdom) ended on 1 July.¹

In a Communication to the Council and Parliament on the state of the customs union of the European Economic Community, transmitted to the Council on 15 June, the Commission stressed the important part played by the customs union in the process of European integration, both as an economic and political force in its own right and as a mainstay of the policies pursued by the Community. However, the Communication drew attention to the unsatisfactory aspects of the present situation, as regards both the achievement of a geniune internal market and the adoption of common customs legislation applying to trade with non-member countries.

The document also set out the measures which the Commission would have to take in the short or medium term to improve this situation and to bring about a genuine customs union.

2.1.24. On 1 July, the customs duties between the Community and a number of countries linked to the Community by various agreements were also removed.

2.1.25. On 27 June the Commission wrote to the governments of the Member States recommending that they should liberalize the checks made on travellers at borders between Member States.²

Common Customs Tariff

2.1.26. On 7 June,³ the Commission amended its Regulation of 17 April 1975⁴ laving down conditions for the entry of port, Madeira and Setubal muscatel wines falling within subheadings 22.05 C III(a) 1 and (b) 1 and 22.05 C IV(a) 1 and (b) 1 of the Common Customs Tariff. The aim was to extend, until 30 June 1979, the period during which the old certificate of designation of origin could be used for the importation of these wines from Portugal and to provide for their admission under the relevant CCT subheadings. As a result Portugal-which, owing to technical difficulties, will not be able to issue certificates of the prescribed form in time-can continue to export its wines to the Community.

2.1.27. On 14 June,⁵ the Council decided to accept the Customs Cooperation Council Recommendation of 18 June 1976 to amend the nomenclature for the Classification of Goods in Customs Tariffs. The nomenclature of the Common Customs Tariff will therefore be amended accordingly with effect from 1 January 1978.

Tariff measures

Suspension

2.1.28. On 21 June,⁶ the Council adopted a Regulation suspending the autonomous Common Customs Tariff duties on certain industrial products.

These suspensions are either total or partial and remain valid for varying periods. They concern 247 products, mostly raw materials or semi-finished products (particularly chemical products) for processing industries in the Community. They

Points 1.2.1 to 1.2.7.

² Point 1.2.7.

OJ L 140 of 8.6.1977. 4

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OJ L 111 of 30.4.1975. OJ L 149 of 17.6.1977. OJ L 155 of 24.6.1977.

Customs union

Customs union

include several new products and others on which duties were suspended last year.

2.1.29. On the same date the Council also decided¹ to suspend totally or partially, for varying periods, beginning on 1 July the autonomous Common Customs Tariff duties on a number of agricultural products. In most cases, the aim was to renew suspensions already in force between 1 July 1976 and 30 June 1977 or for a period determined by reference to the interests of Community production.

Tariff quotas

2.1.30. On 14 June² the Council adopted a Regulation on the opening, allocation and administration of a Community tariff quota for certain eels falling within subheading ex 03.01 A II of the CCT. Under this arrangement 6100 tonnes of eels were allowed duty-free entry. A first tranche of 4 900 tonnes was divided between the Member States, and the remaining 1 200 tonnes were held in reserve.

2.1.31. On 20 June³ the Council also adopted two Regulations on the opening, allocation and administration of Community tariff quotas of 30 000 head of heifers and cows, other than those intended for slaughter, of certain mountain breeds at a duty of 4% (a first tranche of 19000 head and a reserve of 11 000 head) and of 5 000 head of bulls, cows and heifers, other than those intended for slaughter, of certain Alpine breeds at a duty of 4% (a first tranche of 3 500 head and a reserve of 1 500 head).

2.1.32. On 21 June the Council also approved several Regulations on the opening, allocation and administration of Community tariff quotas for the following products:

(i) rum, arrack and tafia (falling within subheading 22.09 C I of the CCT) originating in the ACP States and having an aggregate volume of 173 009 hectolitres of pure alcohol;¹

(ii) rum, arrack and tafia originating in the overseas countries and territories associated with the Community and having an aggregate volume of 71 571 hectolitres of pure alcohol;¹

(iii) certain wines having a registered designation of origin (falling within subheading ex 22.05 of the CCT) originating in Algeria and totalling 130 000 hectolitres for wines in containers holding two litres or less and 180 000 hectolitres for wines in containers holding more than two litres.4

These tariff quotas are valid from 1 July 1977 until 30 June 1978.

Community import surveillance

2.1.33. On 14 June⁵ the Council adopted a Regulation suspending the application of certain indicative ceilings where imports during the last two years had not reached 90% of the ceilings fixed. This Regulation covered certain products originating in Austria, Finland, Norway, Portugal and Sweden.

Duty-free entry

2.1.34. On 29 June⁶ the Commission decided to prolong once again⁷ the duty-free importation of goods for free distribution to the earthquake victims in the Friuli region.

OJ L 157 of 28.6.1977. OJ L 149 of 17.6.1977. OJ L 154 of 23.6.1977. OJ L 158 of 29.6.1977. 2

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⁵ OJ L 148 of 16.6.1977.

⁶ OJ L 179 of 19.7.1977.

Bull. EC 3-1977, point 2.1.29.

Customs union

Customs union

Customs arrangements for the free movement of goods

Simplification and harmonization of customs procedures

2.1.35. On 3 June¹ the Council adopted a Decision accepting on behalf of the Community several annexes to the International Convention on the Simplification and Harmonization of Customs Procedures. This Convention, which was negotiated with the Customs Cooperation Council, was concluded by the Community in accordance with the Council Decision of 18 March 1975.² With this new Decision the Community accepts the annex concerning customs transit subject to certain reservations and the annexes concerning rules of origin, documentary evidence of origin, temporary admission for inward processing and temporary exportation for outward processing.

Transit

2.1.36. On 14 June³ the Council adopted two Regulations on the conclusion of agreements relating to the amendment of the agreements between the European Community on the one hand and Austria and Switzerland on the other on the application of the rules on Community transit.

As the recasting of the regulations relating to Community transit—a process set in motion on 13 and 22 December 19764-had now been completed by the alignment of the two bilateral agreements concluded by the Community with Austria and Switzerland, and as the two Joint Committees set up under these agreements had recommended the up-dating of these agreements, the Council adopted two Regulations making the amendments for the Community.

As the exchange of letters between the Contracting Parties had taken place at the end of June, the amendments made to the two agreements came into force on 1 July, when the Community codification became applicable in the Community.

The codified Community transit provisions are therefore being applied uniformly in all the countries involved in these arrangements.

Origin and methods of administrative cooperation

2.1.37. On 3 June⁵ the Council adopted two Regulations on the application of ACP-EEC Council of Ministers Decisions 1/77 and 2/77 of 14 April 1977 derogating from the concept of originating products to take into account the special situation of Malawi and Kenya with regard to the manufacture of fishing tackle (fishing flies). This derogation is designed to enable the two States concerned to find new sources of supply for fishhooks used in the manufacture of these flies.

2.1.38. On 24 June⁶ the Commission adopted a Regulation on determining the origin of certain knitted or crocheted goods, certain clothing and footwear. This Regulation is designed to eliminate the different interpretations given by Mem ber States concerning the processing or substantial working involved in the sewing operation.

2.1.39. On 21 June⁷ the Council adopted a Regulation extending until 30 June 1978 the derogation from the rules of origin agreed with Morocco in 1976 in respect of some of that country's textile products.

OJ L 166 of 4.7.1977. OJ L 100 of 21.4.1975 and Bull. EC 3-1975, point 2107. OJ L 151 of 20.6.1977.

Bull. EC 12-1976, point 2112. OJ L 139 of 7.6.1977. 5

OJ L 158 of 29.6.1977.

⁴

OJ L 164 of 2.7.1977.

Competition

2.1.40. On 17 June Parliament gave its opinion on a proposal from the Commission to the Council on the temporary suspension of autonomous Common Customs Tariff duties for a number of agricultural products.

Competition

Restrictive practices, mergers and dominant positions: specific cases

Renewal of decision authorizing a joint buying agreement

2.1.41. On 17 June the Commission decided¹ to renew its authorization of a joint buying agreement, given on 22 January 1974^2 under Article 65(2) the ECSC Treaty. The authorization will now run until 30 June 1982.

The agreement is between a number of British steelmakers for the establishment of an agency, *Steelmaking Supplies Ltd.* for the joint buying of steelmaking materials.

The firms involved (there are fifteen at present) are small and medium-sized undertakings in the private sector of the British steel industry. The agreement enables them to make savings on their purchases of raw materials, such as scrap and ferro-alloys, and provides greater stability for their supplies in a time of shortage.

Concentration among steel stockholders

2.1.42. Acting under Article 66 of the ECSC Treaty, on 9 June the Commission authorized Klöckner & Co., Duisburg, to acquire all the shares in Schrottag Bayerische Schrottgesellschaft GmbH, Sulzback-Rosenberg, Südferrum Eisenhandelsgesellschaft GmbH, Munich, and Fränkischer Eisenhof GmbH, Bamberg.

These are medium-sized undertakings in the scrap and steel stockholding trade; most of their business is in Germany. The transaction will bring about a concentration between Klöckner and the other three undertakings, but upon scrutiny it was found to satisfy the tests of Article 66 (2) of the ECSC Treaty, and it therefore could be authorized.

2.1.43. On 13 June, again under Article 66, the Commission authorized a joint venture by the Belgian stockholders Moncheret Aciers, Montignies-sur-Sambre, and Alexandre Devis et Cie, Brussels. The two undertakings are to form a company to be called *Devis et Moncheret Aciers* (DEMA); its main object will be steel stockholding.

Investigation of the transaction showed that Moncheret and Devis would each hold 50% of DEMA's capital, and would thus be able to exercise joint control; but this would not bring about concentration between Moncheret and Devis, who would continue their other business separately.

Financial institutions and taxation

Taxation

Indirect taxes

Excise duties

Manufactured tobacco

2.1.44. At its meeting on 20 June, the Council (Economic and Financial Affairs) reviewed the re-

¹ OJ L 173 of 13.7.1977.

² OJ L 52 of 23.2.1974.

maining problems concerning the second stage in the harmonization of the structures of excise duties on manufactured tobacco (cigarettes).

However, it failed to reach agreement on the arrangements for this second stage, which should start on 1 January 1978. But it did agree to resume discussions at a later date. The Directive laying down the criteria applicable during the first stage of harmonization of excise duty on cigarettes was adopted by the Council on 19 December 1972.¹ The transition to the second stage has already been postponed several times.

2.1.45. On 14 June² Parliament delivered its Opinion on the Commission's proposal to the Council concerning the elimination of double taxation in connection with the adjustment of profits between associated enterprises (arbitration procedure).

Employment and social policy

From the 'Tripartite Conference' to the European Council

2.1.46. The problems posed by growth, inflation, and the employment market situation and outlook were the major questions of the moment in June. This month saw the third Tripartite Conference, held on 27 June in Luxembourg,³ the 'social affairs' Council the next day,⁴ and the meeting in London on 20 and 30 June of the European Council which issued, at its close, a statement on growth, inflation and employment.⁵ The preparatory work for these meetings had been done in May and June by the Commission, which drew up a number of documents intended to serve as a basis for discussion in these various bodies.

Employment

2.1.47. The Commission—which in May sent the Council a paper entitled : Growth, stability and employment: stocktaking and prospects,⁶ intended as a basis for the work of the Tripartite Conference—directed its efforts in June to preparing for the three meetings devoted mainly to problems of employment and growth.

On 15 June it transmitted to the Council a report on Community action on the labour market (particularly to promote training and employment for young people and women).⁷

European Social Fund

Social Fund

Fund Committee

2.1.48. The Committee of the European Social Fund met in plenary session in Brussels on 10 June, and examined a large number of applications for aid from the Fund submitted by the Member States. The applications concerned retraining measures for agricultural and textile workers, migrant workers and young people aged under 25 (Article 4) and retraining measures for unemployed or underemployed workers in lessdeveloped regions of the Community (Article 5). A further group of applications concerned the training of workers to meet the needs resulting from technical and industrial progress and from the restructuring of groups of undertakings, and the retraining of the handicapped. In addition,

Bull. EC 5-1977, point 2.1.26.

OJ L 303 of 31.12.1972 and Bull. EC 12-1972, point 23.

² Point 2.3.10. ³ Points 1.1.2 to 1.1.7.

⁴ Points 1.1.8 to 1.1.10.

⁵ Points 1.1.11 and 1.1.12.

⁷ Point 1.1.11.

the Committee delivered its opinion on the preliminary draft of the Fund's budget for 1978.

Guidelines for the management of the Fund

2.1.49. On 9 June¹ the Commission adopted guidelines for the management of the European Social Fund, applicable during the 1977 financial year-a transitional year in the course of which new rules aimed at improving the operation of the Fund are to be adopted.² The guidelines in question are in large part the same as those adopted in previous years, but they contain some new principles which reflect developments on the labour market or take account of lessons learned in the management of the Fund.

These guidelines are mainly based on the following principles: preference to operations tending to create employment, account being taken of structural situations in the Community; provision of adequate levels of skill for the labour force and, where possible, a choice of job openings; and promotion of close coordination between action at national and Community level, and between Community operations themselves, in line with Community policies.

Pilot schemes

2.1.50. On 21 June the Commission approved five pilot schemes preparatory to action by the European Social Fund. They concern a pilot scheme in community development in Ireland, an experimental training course in Belgium for Italian migrant workers, the preparation of a training programme designed to reduce imbalances in employment in the data processing industry, and a pilot scheme on preparatory guidance and vocational training for women in rural areas.

ECSC retraining measures

2.1.51. Acting under Article 56(2)(b) of the ECSC Treaty, the Commission decided in June to contribute towards the cost of retraining workers affected by the partial or total closure of steel undertakings in the United Kingdom.

A payment for 650 workers affected by the total closure of a steel plant was increased by 264 000 EUA, and a further payment of 2000 EUA was made for 18 workers also affected by a closure.

Freedom of movement and social security for migrant workers

Social security schemes for migrant workers

2.1.52. On 30 June³ the Commission sent to the Council two proposals amending the Regulation of 14 June 1971⁴ on the application of social security schemes to employed persons and their families moving within the Community and the Regulation of 21 March 1972⁵ fixing the procedure for its implementation. These two Regulations, which came into force on 1 October 1972, were subsequently amended to apply in the nine Member States as from 1 April 1973.

The new proposals are intended to make certain improvements to the rights of migrant workers, the need for which has become apparent in the light of the experience gained, and also to take account of agreements concluded between several of the Member States in pursuance of the Regulations, as well as of decisions by Member States on the apportionment of responsibilities among their social security authorities, bodies and institutions as regards implementing the Regulations. It is also proposed that minor transfers of costs

OJ C 141 of 15.6.1977.

OJ C 171 of 19.7.1977, points 1.3.1 to 1.3.6 and 2.1.46. OJ C 171 of 19.7.1977. OJ L 149 of 5.7.1971. OJ L 74 of 27.3.1972. 2

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shall be made between the social security institutions of the Member States.

Education of migrant workers' children

2.1.53. On 28 June the Council adopted a Directive aimed at ensuring that migrant workers' children of statutory school age who are nationals of a Member State receive an adequate education.¹ The Commission made the proposal to the Council on 28 July 1975.²

Living and working conditions

Housing

2.1.54. Under the first instalment of the eighth programme of aid towards the financing of lowcost housing for workers in the coal and steel industries, the Commission has approved the following projects:

France

coal: 321 dwellings (FF 2 264 550); steel: 292 dwellings (FF 1 972 000);

Germanv

coal: 5 dwellings (DM 36 000); steel: 256 dwellings (DM 2 111 000); the 'Berlin operation, coal and steel : 40 dwellings (DM 1 219 500);

Luxembourg steel: 47 dwellings (Flux 12 788 760);

Italy (Friuli)

steel: 22 dwellings (Lit 256.5 million);

steel: 404 dwellings (Lit 3 300 million, consisting of Lit 1 400 million from the special reserve and Lit 1 900 million in borrowed funds).

2.1.55. On 13 June³ Parliament adopted a Resolution on the Commission Communication to the Council on the reform of the organization of work (humanization of work). Meeting on 22 and 23 June the Economic and Social Committee delivered an Opinion on the development of the social situation in the Community in 1976.⁴

Industrial relations

European Trade Union Institute

2.1.56. On 24 June the Commission presented to the Council a Communication on the creation of a European Trade Union Institute, provided for in the Commission's social action programme⁵ and the Council's Resolution of 21 January 1974⁶ on this programme. At its meeting on social affairs on 28 June⁷ the Council noted this Communication and confirmed its interest in the setting up of the Institute.

Social protection

Social security

2.1.57. At its plenary session on 22 and 23 June,⁸ the Economic and Social Committee delivered its opinion on the Commission's proposal to the Council on the progressive implementation of the principle of equal treatment for men and women in the field of social security.

Fight against poverty

2.1.58. On 16 June the Commission put to the Council a proposal for a decision amending the Council's Decision of 22 July 1975⁹ concerning a programme of pilot schemes and studies to combat poverty. The object of this proposal is to al-

- Supplement 2/74 Bull. EC. OJ C 13 of 12.2.1974. 5
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¹ Point 2.1.149.

² Bull. EC 7/8-1975, point 2226.

Point 2.3.12 and OJ C 163 of 11.7.1977. 3

⁴ Point 2.3.62.

⁷ Point 1.1.8.

⁸ Point 2.3.69. 9 OJ L 199 of 30.7.1975 and Bull. EC 7/8-1975, point 2231.

Regional policy

low projects already in progress to continue bevond 1 December 1977 and to introduce new projects. The Economic and Social Committee gave its opinion on this proposal at its session on 22 and 23 June and the ECSC Consultative Committee discussed it at its meeting on 16 June in Luxembourg.

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Health and safety

2.1.59. At its meeting on 28 June, the Council adopted a Directive on the approximation of the laws, regulations and administrative provisions of the Member States on the provision of safety signs at places of work.1 This new Directive aims at harmonizing the various prohibition, mandatory, warning or emergency signs at places of work, so that anyone, and in particular any foreign worker, can see at a glance what he should or should not do. The extractive industries are not covered by the Directive; special measures for them are to be taken shortly by the Mines Safety and Health Commission.

2.1.60. The ECSC Consultative Committee adopted a Resolution on the proposed Directive on 16 June.²

2.1.61. A symposium on coking plants organized by the Commission brought together a hundred or so experts in Luxembourg on 7 and 8 June, to review research developments and current problems in this field. Particular emphasis was laid on the protection of the worker and the improvement of the environment (measures on combating atmospheric pollution and the purification of waste water). The discussions-which took place on the basis of nearly thirty papers-showed the importance of the advances already made in these two fields and pinpointed the solutions under consideration.

2.1.62. A working party of the Mines Safety and Health Commission, meeting in Luxem-

bourg on 10 June, examined, in the presence of a Norwegian government observer, the causes and circumstances of the accident which occurred on the Phillips-Bravo drilling platform in the Ekofisk field on 22 April. To prevent such accidents, which endanger the people working on the platforms, it was decided to set up a group of engineers with special expertise in this field. The task of ths group will be to devise techniques to ensure safety and seek ways of improving training and harmonizing the rules concerning safety on the platforms.

When this working party of the Mines Safety and Health Commission has examined the report of the Norwegian investigation it will decide, in collaboration with the competent international authorities, on a common work programme. Subsequently, pursuant to its mandate, the Safety and Health Commission will present appropriate proposals to the Member States.

2.1.63. On 13 June³ Parliament gave its Opinion on the Commission's proposal to the Council on the protection of the health of workers occupationally exposed to vinyl chloride monomer.

Regional policy

New guidelines proposed by the Commission

2.1.64. On 3 June, the Commission laid before the Council the Communication on guidelines for Community regional policy which it had adopted two days before.⁴ The guidelines the

¹ Bull. EC 4-1976, point 2228.

 ² Point 22.3.74 and OJ C 158 of 6.7.1977.
 ³ Point 2.3.74 and OJ C 163 of 11.7.1977.
 ⁴ Bull. EC 5-1977, points 1.1.1 to 1.1.9 and 2.1.37; Supplement 2/77 — Bull. EC.

Regional policy

Regional policy

Commission proposes in this document reflect a new outlook; the communication is accompanied by two proposals, one to amend the European Regional Development Fund, set up in 1975, and the other to establish an interest rebate scheme within the Fund.¹

Financing operations

European Regional Development Fund

ERDF Committee

2.1.65. The European Development Fund Committee met on 28 June. It gave its opinion on 116 draft decisions granting Fund assistance to industrial investments and investments in infrastructures. The final decisions will be taken by the Commission in July.

Second annual report of the Fund

2.1.66. On 13 June, the Commission adopted its annual report, the second of its kind, on the Fund's activities in 1976. The Council Regulation of 18 March 1975, which created the Fund, provides that a report must be presented every year before 1 July to Parliament and to the Council; the present report was submitted on time.

The Commission opens the report with an analysis of the economic situation in 1976, the outlook for 1977 and the effects of the situation on regions which may qualify for assistance from the Fund. According to the report, the Commission approved 307 applications for grants for a total of 500 million u.a. to 1 545 projects representing total investments of 4 732 million u.a. Payments of 277 million u.a. were made. 87 projects were visited for inspection purposes. 55% of the investments receiving grants were in infrastructure, and this type of investment accounted for 75% of the amounts granted; for industrial investments, the corresponding figures are 45% and 25% respectively. These measures should save or create $55\,000$ jobs. Infrastructure spending accounted for such a large proportion of the total mainly because of the low level of industrial investment, one of the consequences of the economic crisis.

With regard to the complementary character of Fund activity and national measures ('additionality') there had been little change as compared with 1975. The situation would only change as a result of the implementation of the regional development programmes, all of which must be available by the end of 1977; the Commission regards these programmes as being of the greatest importance.

The Commission's report concludes by drawing a number of lessons from Fund operations over the past two years; the new guidelines proposed to the Council take account of the experience gained during this period.

Regional Policy Committee

2.1.67. The Regional Policy Committee held its 10th meeting in Brussels on 14 and 15 June. It re-elected Mr C. Noë as Chairman, and elected Mr M.H.M. Reid Vice-Chairman, for two years in both cases.

At this meeting, the Committee adopted a report to the Council and the Commission: after the initial three-year period (1975-77) of Fund operations, the Council is about to consider the Commission's new guidelines for Community regional policy;³ the Committee therefore thought it would

¹ OJ C 161 of 9.7.1977.

² OJ L 73 of 21.3.1975.

³ Point 2.1.64.

be useful to survey the work it had done and the experience it had acquired since its inception.

The Committee also considered draft decisions sent by the Commission granting Regional Fund assistance to major investment projects in infrastructures (10 million u.a.). It put the finishing touches to the internal procedure it intends to adopt for giving its opinion on the regional development programmes which the Member States must send to the Commission during 1977 under the Regulation setting up the Fund.

Environment and consumer protection

Environment

Council meeting of Ministers responsible for the environment

2.1.68. The Council (Environment) met in Luxembourg on 14 June under the chairmanship of Mr Peter Shore, Secretary of State for the Environment of the United Kingdom. There were no very specific results but progress was made on a number of decisions and directives.

The Council approved the substance of a decision establishing a common procedure for the exchange of information on the quality of surface fresh water in the Community. It adopted the principle of opening negotiations with a view to the EEC acceding to the Helsinki Convention of 22 March 1974 on the protection of the marine environment of the Baltic Sea area. After a long debate, a consensus was also reached on the essential content of a directive on toxic and dangerous wastes.

Mr Natali, Vice-President of the Commission, addressed the meeting on the problems raised by the accidental discharges of hydrocarbons into the sea; the Commission has also sent the Council a communication on the subject. There was general agreement on the broad lines of a directive on wastes from the titanium dioxide industry (red mud). On the other hand the Council made no appreciable progress on two of the files submitted—the reduction of water pollution caused by wood pulp mills and the quality of water for human consumption. Both these problems are to be examined again.

The quality of surface fresh water

2.1.69. The decision establishing a common procedure for the exchange of information on the quality of surface fresh water in the Community (which was approved in substance by the Council on 14 June) is based on the principles set out in the Environmental Action Programme of 22 November $1973.^2$

It provides for the regular forwarding by the Member States to the Commission of certain data concerning the quality of the waters sampled by the measuring stations designated by the Member States in accordance with certain uniformly fixed parameters. On the basis of this information the Commission is to send an annual summary report to all the Member States.

Protection of the Baltic Sea against pollution

2.1.70. On 21 June the Council formally adopted a Decision authorizing the Commission to open negotiations with the Baltic seaboard States with a view to permitting the European Economic Community to accede to the Helsinki Convention of 1974 on the protection of the marine environment of the Baltic Sea area. This is the Decision to which the Council agreed in principle at the environment meeting of 14 June.

Bull. EC 4-1977, point 2.1.43.

² OJ C 112 of 20.12.1973.

Toxic and dangerous wastes

2.1.71. After a long debate the Council reached agreement on the main aspects of the Directive on toxic and dangerous wastes. The aim of this Directive—which forms part of the Communities' Environmental Action Programme of 22 November 1973^1 —is the implementation by the Member States of a number of inspection measures and safeguards to ensure that the disposal of toxic and dangerous wastes does not endanger public health or the environment.

This range of measures is particularly aimed at: (i) encouraging the prevention, recycling and processing of such wastes, and the extraction of raw materials and energy therefrom;

(ii) prohibiting the dumping or the uncontrolled discharge, tipping or transport of such wastes;

(iii) the authorization of establishments responsible for storing, treating and/or disposing of such wastes.

In accordance with the polluter pays principle, the cost of disposing of toxic and dangerous wastes, less any proceeds from using them, are to be borne by the holder who turns the waste over to a waste collector or an authorized undertaking, and/or by the previous holders or the producer whose process is the cause of the waste.

Under the terms of this Directive each authorized establishment must keep a record of the quantity, nature, physical and chemical characteristics, origin, methods and sites of disposal of the wastes of, and/or make this information available to the competent authorities. It is also subject to the control and supervision of the competent authorities.

These authorities are to draw up programmes for the disposal of toxic and dangerous wastes, and keep them up to date. The main points to be covered are the type and quantity of waste to be disposed of, the methods of disposal, the specialized treatment centres and suitable disposal sites. Together with the Member States, the Commission is to arrange for regular comparisons of these plans in order to ensure that implementation of this Directive is sufficiently coordinated.

Every three years—and for the first three years following notification of the Directive—the Member States are to draw up a situation report on the disposal of toxic and dangerous wastes in their respective countries and send it to the Commission which will circulate it to the other Member States.

The Permanent Representatives Committee was instructed to examine the Directive as a whole, with particular reference to the question whether provision should be made at the earliest possible date for a procedure involving a committee for adaptation to technical progress. The Council should be able to formally adopt the Directive at one of the next meetings.

Accidental discharges of hydrocarbons into the sea

2.1.72. On 9 June the Commission sent the Council a Communication (with a draft resolution attached) on measures for the prevention, control and reduction of pollution caused by accidental discharges of hydrocarbons into the sea. This Communication follows the Commission's undertaking to the Council to make proposals for Community measures covering the matter (after the Ekofisk accident). The Communication is in practice a more formal repetition of the principles to which the Commission agreed last May.²

2.1.73. Mr Natali, Vice-President of the Commission, presented the Communication to the Council on 14 June in order to enable the Council to take a decision on the subject at the next environment meeting.

¹ OJ C 112 of 20.12.1973.

² Bull. EC 5-1977, point 2.1.42.

Environment and consumer protection

2.1.74. On 21 and 22 June, the Commission was represented at a meeting in Oslo on the problems caused by hydrocarbon pollution; this has become a matter of utmost concern since the accident on the Phillips-Bravo platform in the Norwegian Ekofisk field.¹

Waste from the titanium dioxide industry

2.1.75. Although the Council reached no final decision at the meeting on 14 June, there was a general consensus on the broad lines of a Directive on red mud.

The main principles of this Directive are:

(i) the introduction of a system of prior authorization for the discharge of such waste into water or for its storage on land;

(ii) regular ecological monitoring of the waters into which waste is discharged;

(iii) a programme to reduce by stages the amount of waste discharged into the water; this programme should be completed within ten years.

In interpreting these principles a distinction is to be made between existing and new plant. There are to be:

(i) programmes for the progressive reduction of pollution to cover existing plant; and

(ii) in the case of new plant, authorizations subject to conditions which take account of techniques and processes making it possible to keep to a minimum the disadvantages to the environment.

Cooperation with the United States

2.1.76. On 27 and 28 June in Washington, a Commission delegation attended a bilateral meeting on cooperation in environmental matters with American authorities.

The exchange of views chiefly covered problems arising out of the Toxic Substance Control Act recently signed by President Carter, and theoretically due to come into force on 1 January 1977. It was agreed that a consultation meeting (attended by representatives of the US Environmental Protection Agency and the Commission and United States and Community Government experts) would be held from 3 to 5 October in Brussels.

This consultation would cover any effects that the American law might have on international trade as well as the possibility of harmonizing American and Community approaches in this field (the responsible organs of the Council are currently examining a proposal for a directive on the same subject).

Cooperation with Switzerland

2.1.77. The third bilateral meeting between the Commission and Switzerland under the environmental cooperation agreement was held in Brussels on 5 and 6 June. Discussions chiefly covered pollution problems in three spheres—water, air and chemical products.

Educating the public on environmental problems

2.1.78. In application of the European Communities' Environmental Action Programme and in close cooperation with the national Ministries for Education, a network has been created for the primary schools chosen to pilot this type of project, involving the exchange of experience in educating people about environmental problems.

The schools selected for the project are attended by children aged 9 to 11. At present eleven schools and ecological education centres are participating in the project.

Point 2.1.62.

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Teachers working in these establishments attended a seminar held in Dublin on 20 and 21 June with the object of allowing the teachers to establish personal contact, exchange information and formulate proposals as to how to develop the activities of the network.

2.1.79. On 14 June Parliament¹ unanimously passed a Resolution embodying its Opinion on the Commission proposal to the Council of December 1976 concerning bird protection.²

Consumer protection

Consumers' Consultative Committee

2.1.80. The Consumers' Consultative Committee met on 22 June with three main items on the agenda. It adopted a preliminary opinion on unfair clauses in contracts and will submit a further opinion when the Commission sends its new draft directive on unfair clauses. The Committee also adopted an opinion on the 1968 Convention on jurisdiction and the enforcement of judgments and asked that the various terms of this Convention should be made more favourable to the consumer. Finally, the Committee adopted its programme of activities for the period 1977-79. During the meeting, Mr Burke, Member of the Commission, reaffirmed the Commission's will to progress from a consumer protection policy to a policy of promoting the consumer.

2.1.81. At its meeting on 22 and 23 June³ the Economic and Social Committee gave its Opinion on the Commission proposal to the Council on doorstep selling (contracts negotiated away from business premises).

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2.1.82. At its meeting on 20 and 21 June, the Council (Agriculture) focused its attention on agri-monetary matters, the situation of the wine market and the application of EAGGF Guarantee Section provisions to the French Overseas Departments in respect of products in the cereals sector.

The Council of Foreign Ministers, which also met on 21 June, was informed of the Commission's planned timetable for making concrete and detailed proposals to supplement its preliminary Communication to the Council on Mediterranean agriculture.4

Measures connected with the monetary situation

2.1.83. Monetary compensatory amounts once again⁵ appeared on the Council's agenda with a discussion of the Commission's policy on monetary compensatory amounts to be applied to certain processed milk products.

2.1.84. On 13 June⁶ the Commission suspended the monetary compensatory amounts applicable to trade in beef cattle between Ireland and Northern Ireland from 15 June 1977 and for as long as the employment subsidy is granted to certain slaughterhouses in Northern Ireland.7 This measure was taken to reduce the risk of movements which are impossible to control and which would lead to an abnormal growth in the volume of such trade.

¹ OJ C 163 of 11.7.1977 and point 2.3.17. ² OJ C 24 of 1.2.1977 and Bull. EC 12-1976, point 2233.

³ Point 2.3.66. 4

Bull. EC 4-1977, points 1.2.1 to 1.2.3. 5

Bull. EC 5-1977, point 2.1.50. OJ L 146 of 14.6.1977. 6

Bull. EC 3-1977, point 2.1.80.

Agriculture and fisheries

Following the premature discontinuation of the accession compensatory amounts for products in the pigmeat sector applicable to trade between the United Kingdom and Ireland, the monetary compensatory amounts for these products were increased in the two Member States with effect from 15 June.¹

Common organization of the markets

2.1.85. In June, the Council and the Commission adopted various Regulations² implementing the decisions of 25 and 26 April on the 1977/78 agricultural prices in particular in the cereals, rice, sugar, oil seeds, fruit and vegetables and products prepared from them, seeds, milk and milk products sectors. On 21 June, the Council fixed the amount of aid to hop producers for the 1976 harvest.

The Council and the Commission each examined problems in the wine and pigmeat markets. Measures to facilitate sales of the products held by the intervention agencies were adopted by the Commission in the olive oil, tobacco and beef and veal sectors.

2.1.86. In the sugar sector, on 20 June³ the Council adopted four Regulations implementing its decisions on agricultural prices for 1977/78 and concerning specifically the sugar produced in the countries of the Lomé Convention ('preferential' sugar) and in the French Overseas Departments:

(i) In accordance with the provisions of the basic sugar regulation, the amount of the levy on preferential sugar was fixed at 1.64 u.a./100 kg when it is refined in a 'mixed' refinery; the same amount should be granted to raw cane sugar produced in the French Overseas Departments.

(ii) As a measure to encourage sales of sugar produced in the French Overseas Departments the 1977/78 subsidy to be granted for this sugar when it is refined in the Community was fixed at 1.33 u.a./100 kg. Sugar originating in the French Overseas Departments will therefore receive aid totalling 2.97 u.a./100 kg (differential charge plus subsidy).

(iii) The general rules for offsetting storage costs for sugar were codified taking into account the Council Decision to extend these rules to preferential sugar from 1 July 1977.

(iv) The general rules on intervention by buying in were amended following the Council's decision to stop taking the levy into consideration when fixing the intervention prices for white sugar and raw sugar. The intervention agency will in future have to pay this levy when sugar is taken into intervention.

2.1.87. On 20 June,⁴ the Commission adopted a Regulation opening an invitation to tender for the purpose of determining premiums for white sugar for feeding bees. A total of 1 000 000 u.a. is available for these premiums.

2.1.88. The Council noted the Commission report on foreseeable developments in the planting and replanting of vineyards in the Community and on the ratio between production and utilization in the wine sector. This report, which was presented pursuant to the basic regulation on wine, directed the Council's attention to economic and structural trends in the sector. The Council also discussed the principle of certain proposed amendments to the basic regulation on wine; it agreed to the amendments to certain criteria but will return to the matter at its next meeting.

During this discussion, the Council noted the Commission's intention to implement the relevant provisions of the basic regulation on wine as soon as possible, so as to alleviate the problems currently besetting the wine market and with a

⁴ OJ L 152 of 21.6.1977.

¹ OJ L 147 of 16.6.1977. ² OJ L 154 of 23.6.1977 and L 156 of 25.6.1977. ³ OJ L 156 of 25.6.1977.

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view to reorganizing the market as far as possible before the next wine year.

Noting that the weighted average price of the RI type of table wine had remained below the activating price for two weeks the Commission granted an aid for private storage of this type of (red) wine from 21 June.¹

2.1.89. On 20 June² the Council laid down the amount of the aid to producers for the 1976 hop harvest. Aid for each variety (between a minimum of 200 and a maximum of 550 u.a./ha), is limited to an amount corresponding to the areas under that variety in 1975.

2.1.90. In view of the present situation on the beef and veal market, with prices in the various Member States diverging and in particular the market for forequarters facing seasonal difficulties, the Commission decided on 3 June³ to provide for an invitation to tender to determine amounts of private storage aid for an amount of up to 15000 tonnes of fresh or chilled foreguarters, for periods of five or six months; the contracts concluded in June covered 5 700 tonnes.

To prevent abuses and to provide better controls over the destination of young male bovine animals intended for fattening and of frozen beef and veal for processing imported under special arrangements, on 27 June⁴ the Commission amended the detailed rules on these arrangements; it then fixed,⁵ for the third quarter of this year, the quantity which may be imported and the rate of suspension of the levy under these arrangements.

2.1.91. The Commission examined the situation on the Community market in pigmeat and drew up guidelines for making improvements. It noted that the market is now affected by a cyclical drop in producer prices and that these will probably not firm up before next winter.

Earlier in the year the Commission introduced some support measures such as an increase in the additional amount payable on imports (January), an increase in export refunds (February), and the granting of private storage aid (end April).⁶ These measures helped to achieve a certain degree of price stability in several Member States. However, the situation in the sector continues to present problems for the Community as a whole and may deteriorate during the summer months when there is traditionally a seasonal drop in demand.

The Commission also added to the current support measures by:

(i) extending the list of products eligible for private storage aid;⁷

(ii) introducing export refunds for live pigs; and (iii) increasing the refunds for certain processed pigmeat products (dry or smoked cuts, sausages, canned meat).8

2.1.92. The Commission also studied the British Government's request to apply Article 139 of the Accession Treaty to support United Kingdom pig producers. It concluded that the British market had followed more or less the same trends as other Community markets and displayed no abnormal phenomena. However, in Britain and, to a great extent, in Ireland pig numbers have dropped, while they have increased in all the other Community countries. This indicates a certain discouragement among British and Irish producers which could cause production cycles in those countries to deteriorate further.

For this reason the Commission decided on 14 June,⁹ in addition to the measures already mentioned,¹⁰ to speed up the abolition of the ac-

- 1 OJ L 153 of 22.6.1977.
- 2 OJ L 156 of 25.6.1977.
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- OJ L 138 of 3.6.1977. OJ L 157 of 28.6.1977. OJ L 160 of 30.6.1977 and L 161 of 1.7.1977. 5
- Bull. EC 4-1977, point 2.1.64.
 OJ L 138 of 4.6.1977 and L 150 of 18.6.1977.
 OJ L 146 of 14.6.1977.
- 9 OJ L 147 of 15.6.1977.
- 10 Point 2.1.84.

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cession compensatory amounts which bridge the gap between United Kingdom and Irish prices and prices in most of the Community. This measure, which was in any case scheduled for the end of the transitional accession period, i.e. 1 January 1978, will have the effect of increasing the basic price of pigmeat by 4.8% in the United Kingdom and by 2.5% in Ireland with the net impact for the producers being about 3.7% in the United Kingdom and 1.9% in Ireland.

Fisheries

Internal aspects

2.1.93. At the meeting on 27 June on matters relating to fisheries the Council held a general discussion of all the problems posed by the determination of the arrangements to apply to herring fishing until the end of 1977. It agreed to continue its discussion at its next meeting on fisheries on 18 July. For the time being, the Council agreed to extend until 20 July¹ the ban on direct herring fishing in the West Scotland region.²

External aspects

2.1.94. On 21 June, the Council took stock of the problems arising in the negotiations under way with a number of non-member countries for the conclusion of framework agreements and in the establishment of autonomous Community fisheries arrangements to apply to vessels of certain non-member countries as from 1 July. The Council on fisheries also discussed on 27 June the general outlines of the development of the Community fisheries policy, and took a number of decisions concerning external aspects.

Agreements

2.1.95. On 3 June,³ the Council adopted a regulation on the conclusion of an agreement between the European Community and the United States regarding fishing activities off the coast of the United States. This agreement, which was signed on 15 February,4 came into force on 9 June.⁵

Negotiations in progress

2.1.96. On 13 June the Commission held a further round of consultations with a delegation from The Faeroes to examine the regime to apply to Community fishing in Faeroese waters after the end of June. Following a full exchange of views, it was agreed that conditions of access for Community fishermen to Faeroese waters in July would be similar to those in June, and that the two sides would meet again in early July to decide upon mutual fishing possibilities for the rest of 1977.

2.1.97. Discussions took place on 9 June in Reykjavik between the Community and the Icelandic Government. Their purpose was to pave the way for an early resumption of negotiations to draw up a mutually satisfactory agreement on the utilization of the living resources of the sea. The previous discussions took place on 25 and 26 November.⁶

Interim measures

2.1.98. On 27 July⁷ the Council adopted three Regulations which extend for three months, from 1 July, the autonomous arrangements applicable to vessels flying the flag of the following six countries: Finland, Portugal, Sweden, Poland, the

OJ L 160 of 30.6.1977. Bull. EC 5-1977, point 2.1.59. OJ L 141 of 9.6.1977. Bull. EC 2-1977, point 1.2.5. OJ L 147 of 15.6.1977. Bull. EC 11-1976, point 2344. 7 OJ L 160 of 30.6.1977.

¹ OJ L 160 of 30.6.1977.

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GDR and the USSR. On 28 June,¹ the Council adopted a regulation extending for one month, from 1 July, the autonomous arrangements applicable to vessels flying the flag of Spain.

2.1.99. On 27 June,¹ the Council also adopted a regulation extending for three months the interim measures for the conservation and management of fishery resources applicable to vessels flying the flag of certain non-member countries (Brazil, Korea, the United States, Japan and Surinam) in the 200-mile zone off the coast of French Guiana.²

Fisheries Commission

2.1.100. The International Commission for the Northwest Atlantic Fisheries met in Ottawa from 31 May to 10 June.³

Structural policy

2.1.101. On 27 June⁴ the Commission adopted a Decision amending the limits of the less-favoured areas in Belgium pursuant to the Council Directive of 28 April 1975,⁵ and decisions relating to the implementation of the reform of agricultural structures in Belgium, France and the Netherlands,⁶ in accordance with the Council Directives of 17 April 1972⁷ on the modernization of farms and on socio-economic guidance and vocational training for persons employed in agriculture.

Conditions of competition

2.1.102. Under Articles 92 to 94 of the Treaty the Commission decided on 14 June to maintain partially open the Article 93(2) procedure which was initiated on 30 October 1975 in respect of two Piedmont regional laws. These laws concern in particular the granting of aid in the form of calving premiums.

2.1.103. On 11 June the United Kingdom authorities suspended the aid scheme for pigmeat in respect of which the Court of Justice on 21 May issued an Order under Article 186 of the EEC Treaty.⁸

This Order is of major importance for Community law, and in particular for the Community rules on States aids as laid down in Articles 92 and 93 of the EEC Treaty. The measure in contention was a temporary scheme of aid for British pig farmers notified to the Commission on 20 January.⁹

European Agricultural Guidance and Guarantee Fund

Guarantee Section

2.1.104. In the past the Guarantee Section financing has applied in the French Overseas Departments to sugar and tobacco produced there and to canned pineapple. On 21 June¹⁰ the Council decided to extend application of the EAGGF Guarantee Section provisions to cereal products and amended the Regulation of 29 October 1975 on the common organization of the market in cereals accordingly.

2.1.105. On 27 June,¹¹ the Council adopted the Directive on scrutiny by Member State of trans-

- ¹ OJ L 160 of 30.6.1977. ² Bull. EC 5-1977, point 2.2.52.
- ⁴ Bull. EC 5-1977, point 2.2.52 ³ Point 2.2.45.
- ⁴ OJ L 179 of 19.7.1977.
- ⁵ OJ L 128 of 19.5.1975.
- ⁶ OJ L 175 of 15.7.1977.
- ⁷ OJ L 96 of 23.4.1972.
- 8 OJ C 142 of 16.6.1977
- ⁹ Bull. EC 1-1977, point 2.1.47, 2-1977, point 2.1.46, 3-1977, point 2.3.49, 4-1977, point 2.3.54 and 5-1977, points 2.1.61 and 2.3.46.
- ¹⁰ OJ L 158 of 29.6.1977.
- ¹¹ OJ L 172 of 12.7.1977.

Agriculture and fisheries

actions forming part of the system of financing by the Guarantee Section of the EAGGF.

The adoption of this Directive, which the Commission proposed to the Council on 2 August 1976, marks an important stage in the efforts made at Community level to tighten up the control over the funds managed by the EAGGF Guarantee Section and to intensify measures to combat irregularities in this field.¹

The Directive provides primarily for systematic scrutiny by the Member State of the commercial documents of undertakings receiving or making payments under the EAGGF Guarantee Section financing system. In principle the number of undertakings to be inspected is determined by the Member States themselves although the sample inspected should be fairly representative. However, in each Member State half of the undertakings whose receipts or payments (or the sum of these two amounts) within the EAGGF system exceeded 100 000 u.a. in the year preceding that of the scrutiny must be inspected each year, i.e. about 2 100 systematic controls a year throughout the Community. To take into account the difficulties of introducing this new system of scrutiny in some Member States, this number may be limited during the years from 1979 to 1981.

The Directives also lays down obligations concerning the comparison of stock records kept by the undertakings with their commercial documents and the rights of inspectors to seize commercial documents in accordance with national provisions if irregularities are suspected.

Finally the Directive provides for mutual assistance between Member States in applying the measures and stresses the obligation to keep the information collected secret. Member States should take steps to comply with these provisions at the latest by 1 July 1979.

2.1.106. In the same context the Council also adopted a Resolution on 27 June²—following the one adopted on 16 December 1975³—on stricter prevention and proceedings against irregularities

in the financing of the common agricultural policy and in particular in the beef and veal sector.

Guidance Section

2.1.107. Pursuant to the Council Directive of 17 May 4' introducing a system of premiums for the non-marketing of milk and milk products and for the conversion of dairy herds, the Commission on 15 June,⁵ adopted the rules for the application of the system of premiums. Applications for premiums should be submitted between 1 July 1977 and 31 March 1978 to the competent authority appointed by each Member State.

Agricultural research

2.1.108. On 13 June,⁶ the Commission sent to the Council a proposal amending the Council Decision of 22 July 19757 adopting common research programmes and programmes for the coordination of research in the field of animal leucoses, livestock effluents, beef production and plant protein production.

As the Council in 1976 did not adopt⁸ the Commission proposal for a programme on the application of nuclear techniques to agricultural research, the Commission set about studying how the research activities contained in the proposal could be undertaken within the framework of the coordination of agricultural research.

Following discussions in the Standing Committee on Agricultural Research, the Commission compiled a list of projects contained in the proposal

- OJ L 150 of 18.6.1977. 6
- OJ C 154 of 1.7.1977. OJ L 199 of 30.7.1975 and Bull. EC 7/8-1975, point 2243.
- Bull. EC 2-1976, point 1401.

Bull. EC 10-1975, point 2237. OJ C 157 of 5.7.1977.

OJ C 298 of 30.12.1975 and Bull. EC 12-1975, point 2249,

OJ L 131 of 26.5.1977. 5

Transport policy

for the applications programme which, in the absence of this programme would normally have been included in one of the Community programmes for the coordination of agricultural research pursuant to the Council Decision of 22 July 1975.

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2.1.109. At its 17 June sitting, Parliament¹ gave its opinion on various Commission proposals in particular concerning the₃ common organization of the wine market, aid to hop producers and surveys to be carried out by the Member States on cattle production.

2.1.110. The Economic and Social Committee,² meeting on 22 and 23 June, gave its opinion on various Commission proposals relating to checks on compliance with Community provisions in the wine sector, the common organization of the wine market and aid to hop producers. It also adopted a study drawn up by its staff on agricultural incomes in the Community.

Transport policy

Transport problems before the Council

2.1.111. On 28 and 29 June the Council (Transport) met in Luxembourg with Mr Rodgers, the United Kingdom Secretary of State for Transport, in the chair; the main decisions taken were:

(i) To set up a consultation procedure concerning relations between Member States and other countries in the field of sea transport; this is the first Community measure undertaken pursuant to Article 84(2) of the EEC Treaty;

(ii) To examine certain air transport matters. The Permanent Representatives Committee was instructed to prepare the Council's subsequent discussions in this matter. The Council also held a general debate, based on a memorandum from the Chair, on the aims and priorities of a common transport policy. At the close of this discussion the Council:

(i) took note of the Commission's intention to propose a working programme for 1978 and subsequent years which would contain a list of priorities;

(ii) called upon the Commission, when formulating this programme, to take account of the limited progress achieved by the Community since its Communication of 1973,³ the draft Resolution of discussions at this Council meeting, etc.;

(iii) invited the Permanent Representatives Committee to submit a report on the work programme for adoption at the next Council meeting.

The Council also took note of an interim report on the progress of work in sea transport regarding the mutual recognition of diplomas and certificates, the Code of Conduct, relations with statetrading countries, relations between Member States' fleets, conditions of registration and shipping statistics. The Council stated its intention to give priority consideration to the questions relating to the Code of Conduct and relations with the state-trading countries. An exchange of views was also held on the French memorandum on the development of a Community project in the field of safety in sea transport.

The Council also gave careful consideration to the question of social provisions in road transport, the introduction of tachographs and the implementation of the AETR. Broad agreement emerged on these three topics, particularly as regards changes to the 'two-man crew' rule applicable to journeys of more than 450 km, the ban on certain types of remuneration, the increase in the weekly rest period, journeys by ferry, national exemptions, the amendment of the tachograph

Points 2.3.27.

² Points 2.3.64 and 2.3.67.

³ Supplement 16/73 — Bull. EC.

Transport policy

Transport policy

Regulation and ratification of the AETR. The Council agreed to instruct the Permanent Representatives Committee to continue the examination of the last outstanding questions, in particular the inclusion of a safeguard clause in the Social Regulation.

At the end of the meeting, the Council took note of two statements made by Mr Westerterp, the Dutch Minister of Transport, concerning the Agreement on the Establishment of a European Laying-up Fund for Inland Waterway Vessels and the draft Additional Protocol to the Mannheim Convention.

The two dossiers concerning reference tariffs for international road transport and the liberalization of the carriage of perishable foodstuffs have been referred back to the Permanent Representatives Committee.

Harmonization of structures

2.1.112. On 20 June¹ the Commission placed a proposal before the Council on the laying down of uniform costing principles for railway undertakings. Deriving from the Council Decision of 20 May 1975² on the improvement of the situation of railway undertakings and the harmonization of rules governing financial relations between such undertakings and Member States, the proposal provides that from the 1978 financial year onwards railway undertakings should use the principle of individual costing to calculate the costs of specific operations carrying goods in complete trainloads. Specific operations here cover new traffic or traffic of which the termination at current terms may be expected. This principle, accompanied by two alternative principles, is to be used for the purpose of allocating costs among the various categories of operations.

2.1.113. On 7 June the Commission delivered a favourable opinion on the provisions in force in Denmark for implementing the above Council

Decision of 20 May 1975.² In particular it established that the provisions of the Council Decision were directly applicable to the Danish Railways (DSB) and were therefore adequate to ensure the implementation of this Decision.

2.1.114. On 28 June the Commission adopted its first two-yearly report on the application of the above Council Decision of 20 May 1975,² as well as the Regulations of 26 June 1969³ on action by Member States concerning the obligations inherent in the concept of a public service in transport by rail, road and inland waterway and secondly on common rules for the normalization of the accounts of railway undertakings, and finally the Regulation of 4 June 1970⁴ on the granting of aids for transport by road, rail and inland waterwav.

These reports, which the Commission sends every two years to the Council, should provide a clearer view of the real situation of the railway undertakings and highlight certain trends common to all undertakings. This will make it possible to determine the measures required to achieve a progressive improvement in the situation of the railway undertakings and enable them to establish financial equilibrium. It will only be possible to obtain these objectives by the fullest coordination of effort by the undertakings, the Member States and the Community bodies.

2.1.115. On 6 June Mr Burke, Member of the Commission, met the Directors-General of the Community's railways, who drew attention to the problems faced by their undertakings in the present social and economic climate and put forward their views on the Commission's most recent transport proposals. In particular, they stressed their desire to see the Decision of 20 May 1975² on the improvement of the financial situation of the railways implemented and the

OJ C 155 of 2.7.1977. OJ L 152 of 12.6.1975. OJ L 156 of 28.6.1969.

²

³ 4

OJ L 130 of 15.6.1970.

Transport policy

Energy policy

Commission's latest infrastructure proposals adopted.

Mr Burke underlined the Commission's concern at the railways' problems, and the role these undertakings must play in the Community transport system; he also stressed the need for further cooperation between railway undertakings.

2.1.116. The Advisory Committee on Granting of Aids for Transport, which held its annual meeting on 8 June, reconsidered the remission by Denmark of the tax on international transport operations by diesel lorry and decided to pursue the matter further.

The Committee was also appraised of progress concerning aid to Belgian, French, Luxembourg and Dutch boatmen, aid granted by the United Kingdom for the construction of private sidings, aid to British Rail (BRB) for research and to the National Freight Corporation (NFC) to improve its financial situation.

The Committee also gave a favourable opinion on the aid granted to the Netherlands and to France for the development of combined rail-road transport.

Shipping, air transport and ports

2.1.117. The third plenary meeting of representatives of the port authorities of the major Community sea ports took place in Brussels on 9 and 10 June, with Mr Richard Burke, Member of the Commission, in the chair. The meeting was attended by delegates from some thirty major sea ports, associated Chambers of Commerce, port organizations and so on from the eight maritime Community countries.

Discussion centred on two documents which had previously been supplied to delegates, namely the report of the Port Working Group and an interim Commission study on the conditions of competition in port hinterlands. It was agreed that the Commission staff, in collaboration with the ports, should revise this study. It was further agreed that the Port Working Group should continue its work and assess how far the differences between the ports in matters of management, operations, finance and legal obligations set out in the report could lead to serious distortions in competition and what the effects of these differences were on cargo and harbour costs. The Group was also mandated to draw up a list of priorities for action which could profitably be undertaken in the port sector, and to indicate the ports' requirements concerning the collection, publication and improved comparability of port statistics.

2.1.118. The Parliament¹ at its sitting on 14 June and the Economic and Social Committee² at its plenary session on 22 and 23 June both delivered opinions on the Commission proposal to the Council concerning the measures necessary to achieve comparability between the accounting systems and annual accounts of railway undertakings. The Economic and Social Committee also gave an opinion on the transport problems in relations with the Eastern bloc countries.

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Energy policy

Formulating and implementing a Community energy policy

Energy problems before the Council

2.1.119. At its meeting on 14 June, which was devoted to energy, the Council considered a number of questions related to its work sche-

¹ Point 2.3.9.

² Points 2.3.63 and 2.3.68.

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dule,¹ nuclear matters,² coal,³ refining problems in the Community,⁴ the protection and promotion of energy investments,¹ the rational utilization of energy¹ and the reduction of energy consumption.1

2.1.120. The Council took stock of the progress made on the questions on its work schedule for the first quarter of 1977 and stressed the need to draw up a programme for its future activities.

The Council agreed that at each energy meeting it would hold a general discussion on the energy situation in the Community and throughout the world.

The Council took note of the Commission's communications⁵ on the development and the protection of energy investments, on the guaranteed maximum price for energy produced within the Community and the granting of financial aid to plans for exploiting alternative energy sources.

The Council also took note of the second series of legislative proposals put forward by the Commission on 27 May⁶ as part of the Community action programme on the rational utilization of energy. It stressed the importance and urgency which should be attached to examining these proposals so that it could act on them at its next meeting.

Still in connection with energy saving, the Council worked out a joint stand on a Community target for reducing primary energy consumption in the event of difficulties in obtaining supplies of crude oil and petroleum products.

Annual report on the energy situation

2.1.121. On 8 June the Commission sent to the Council an annual report on the energy situation in the Community in 1976 and the outlook for 1977.

This report shows that in 1976 an economic upswing leading to an increase of some 4.5% in the Community's gross national product was accom-

panied by an increase of some 4.7% in energy consumption over 1975. Internal consumption of the main energy sources increased as follows: oil by 5.5%, coal by 5.0% and natural gas by 7.5%. The economic outlook for 1977 remains highly uncertain. A possible 3.5% increase in the Community GDP could result in a comparable increase in energy consumption (940 million toe over 864 million toe in 1975). A slight increase in demand for oil is expected, the increase in energy consumption having to be covered mainly by natural gas and primary electricity.

The increase in natural gas output in 1977 is estimated at 3.5%. It is expected that imports of natural gas will increase appreciably, reaching 250 000 Tcal (as compared with 142 000 Tcal in 1976).

Coal output in 1977 should be slightly higher than in 1976 and coal imports could rise as well.

The total capacity of nuclear power stations should reach 24 600 MWe, with an output of electric power between 100 and 120 TWh, which represents roughly 10% of the total generated.

Sectoral problems

Hydrocarbons

2.1.122. At its meeting on 14 June, the Council had an in-depth discussion aimed at achieving a Community approach to refining problems in the Community,7 specifically on setting up machinery for monitoring developments in the refining industry, a procedure for consultation prior to the building of new refining facilities and a procedure

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Point 2.1.120.

Point 2.1.126. Point 2.1.124.

Point 2.1.122.

Bull. EC 5-1977, points 2.1.73 and 2.1.76. Bull. EC 5-1977, point 2.1.74. Bull. EC 3-1977, points 2.1.48 and 2.1.103. 6

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related to imports of refined products from non-Community countries.

Coal

2.1.123. On 7 June, the Commission adopted¹ a report on the Community coal market in 1976 and the outlook for 1977. This report² mentions the sales difficulties encountered by coal in all sectors of consumption except power stations, where there was an increase of roughly 20% over 1975. These difficulties are due in large part to the effect of the continuing slump on sales of coke to the iron and steel industry and to the high level of imports from non-Community countries. This is causing serious problems for the Community's coal industry, particularly as regards the quantities of coal and coke which producers are having to stockpile.

2.1.124. In relation to the situation in the common market in coal, the Council noted on 14 June that the Commission would shortly be sending it—as agreed at the Council meeting on 29 March³—a draft Decision on setting up a Community system for monitoring coal imports from non-Community countries. On this basis the Commission could, by autumn, give the Council a full report on imports.

In addition, the Council examined the problems connected with the Commission's proposal⁴ on setting up a system of Community financial aids to encourage the use of coal in power stations.

Finally, the Council had an initial discussion-while awaiting the opinion of the European Parliament—on the Commission's proposal⁵ for setting up a Community system of aids to finance cyclical stocks of coal, coke and patent fuels.

Industrial loans

2.1.125. The Commission has decided to grant a £53 million loan to the National Coal Board under Article 54 of the ECSC Treaty.

Nuclear energy

2.1.126. On 14 June the Council held a general policy debate on the development of nuclear energy.

Discussion focused on the specific problems facing the Community, uranium supply and demand, the recycling of nuclear fuels and the management of wastes, including effects on the environment and safety and monitoring problems.

In the course of the discussion, the Council expressed its appreciation for the study drawn up by the Economic and Social Committee⁶ on a Community nuclear safety code, which had been welcomed as an important contribution to the discussion on these matters.

The Council gave particular attention to measures aimed at reassuring the public about the development of nuclear technology and stressing the need to rely on nuclear energy in order to avoid an increase in oil imports.

2.1.127. On 21 June the Council held a general discussion on certain questions the Community faces in the nuclear sector, in view of the political factors involved and the increasing importance assumed by nuclear matters in the external relations of the Community and the Member States, and bearing in mind that, unlike other industrialized countries, the Community has no other energy resources of its own.

The discussions, which were aimed at evolving guidelines to facilitate the future work of the Commission and the Permanent Representatives Committee, centred mainly on the following problems:

(i) The Community and the international nuclear picture;

¹ OJ C 156 of 4.7.1977.

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Bull. EC 2-1977, point 2.1.64. Bull. EC 3-1977, point 2.1.99. OJ C 22 of 29.1.1977 and Bull. EC 12-1976, point 2283. 4

⁵ OJ C 86 of 6.4.1977 and Bull. EC 3-1977, point 2.1.104.

⁶ Bull. EC 4-1977, point 2.3.65.

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- (ii) Euratom-Canada relations;
- (iii) Euratom-IAEA relations.

2.1.128. On 22 June the Commission decided to organize hearings on nuclear energy before the end of the year. Discussion on nuclear problems is going on at present in the Community, but only in individual Member States. The Commission took the view that these questions should also be examined at Community level so as to:

help inform public opinion on questions of (i) nuclear energy, bearing in mind the Community's energy requirements;

(ii) ensure the Community's participation in the public debate on nuclear energy;

(ili) assist the Commission in defining priority areas of nuclear energy research, i.e. areas where new initiatives or a more concentrated effort might prove necessary.

The discussions will be public and open, the role of the Commission representatives being to listen, ask questions and take note of the opinions expressed. The topics for discussion will include:

(i) energy demand and supply: a study of what the various energy sources may contribute between now and the end of the century;

(ii) nuclear energy and society;

(iii) the effects of energy supply on safety and the environment.

It is planned that the Member of the Commission responsible for energy-or, if necessary, other Commission Members-will chair a working party which will put questions to invited experts. The working party will be made up of two representatives of the European Parliament, the Chairman of the Economic and Social Committee and three well-known public figures. The experts will be chosen for their knowledge of energy problems, particularly nuclear problems, or for their known opposition to nuclear energy. They will be chosen from a number of circles—energy producers, energy consumers, environment specialists, trade unionists, economists, sociologists and women's associations. The discussions will be open to the public and to the press, radio and television.

The intention is to hold several sessions of two to three days so that the discussions will be concluded by the beginning of 1978. A report will be published.

At its 16 June sitting Parliament¹ *2.1.129.* adopted a resolution on the need to implement a Community policy on the utilization of solar energy.

2.1.130. At its session on 22 and 23 June, the Economic and Social Committee² gave its Opinion on a Commission proposal to the Council for a system of aids for financing cyclical stocks of coal, coke and patent fuels. On 16 June, the ECSC Consultative Committee³ unanimously approved this proposal.

Research and development, science and education

Science, research and development

Common policy on science and technology

2.1.131. At the end of June, the Commission sent the Council⁴ a proposal for a resolution on the guidelines for the common policy in the field of science and technology together with four proposals for decisions concerning the promotion of industrial research projects and three multiannual research programmes (long-term forecasting

[.] Point 2.3.6.

Point 2.3.65. 3 Point 2.3.72.

Points 1.3.1 to 1.3.6 and Supplement 3/77 - Bull. EC.

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and assessment, primary raw materials and medicine and public health).

International nuclear fuel cycle evaluation

2.1.132. As announced in its general communication of 16 May 1977^1 on the international situation in the nuclear field, the Commission sent to the Council on 16 June a special communication relating to the study on international nuclear fuel cycle evaluation (INFCE) submitted by the United States. The Commission proposed that the Council approve the Community's participation in this study and decide on the arrangements for such participation.

Seminar on the crisis of science in European society

2.1.133. The Commission, in collaboration with CERD (European Research and Development Committee) organized a seminar in Brussels from 31 May to 2 June on the crisis of science in European society which enabled some fifty European scientists to discuss and analyse in detail the whole question of science and society.

Opening the meeting on behalf of the Commission, the Director-General for Research, Science and Education stressed the different aspects of the present problem of the interrelations between science and society, and the reasons why it would be valuable for the European Community to be able to provide an answer to popular concern.

During the two-day seminar, the following four aspects were analysed:

(i) the historical evolution of the relationship between science and society, highlighting the great moments in this evolution and describing the present trend;

(ii) the current situation, which is typified by the merging of theory and practice, in which science no longer appears to be an end but a means;

(iii) the scientists' own analysis, which points, in terms of contemporary science, to a new rationality;

(iv) science and its environment: in the face of new problems, society is demanding a new 'awareness'.

These discussions helped to identify the sectors or areas which are passing through a difficult period if not a general crisis. Lines of action were then suggested to alleviate these difficulties covering five specific points:

(i) institutions: these should be organized differently to allow the necessary multidisciplinary research to be developed;

(ii) education: an education policy should aim to bridge the gap between the different forms of culture;

(iii) information: scientific information must be adapted to the mass media culture in order to reach the non-specialist public;

(iv) participation: bodies representing the general public must be involved in the main choices and in the decision-making process;

(v) research: the European Communities must support efforts in the social sciences and promote the development of a European ideology on the social function of science and technology in the modern world.

King Baudouin attended the closing session at which Mr Brunner, Member of the Commission, recalled the main reasons for what most of the participants called a 'crisis' (specialization, high costs, bureaucracy, potential risks) and stressed the importance of a 'Scientific Europe' and the Commission's interest in the social sciences.

Scientific and Technical Research Committee (CREST)

2.1.34. At its meeting on 23 and 24 June, CREST discussed in detail the two draft Com-

¹ Bull. EC 5-1977, point 2.1.82.

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mission proposals for multiannual R & D programmes in the field of raw materials and the second plan of action on scientific and technical information and documentation (STID).

In the raw materials sector,¹ a draft Commission proposal on the recycling of paper and paperboard was prompted mainly by the need to resolve the supply problems of the Community's paper industry. The Community contribution to the project is estimated at 2.9 million u.a. between 1978 and 1980. The second draft Commission proposal concerns R & D projects to promote uranium prospecting and mining and forms part of the Community supply policy for nuclear fuels. The Community intends to allocate 4.65 million u.a. to this programme between 1978 and 1980.

2.1.135. CREST also continued its examination of draft Commission proposals for the implementation of a second plan of action on STID.² The Committee approved the principle and the scientific and technical content of the proposals; it will give a formal opinion at a future meeting. The Committee stressed the urgent need to transform the European data transmission network (Euronet) into an operational network to be integrated as soon as possible into a public European data transmission network.

2.1.136. CREST also approved the first set of proposals for multiannual concerted action projects in the field of medical research and public health³ (congenital abnormalities, cellular ageing, extracorporal oxygenation), which have just been sent to the Council by the Commission. A Community allocation of 1.09 million u.a. for the coordination of these projects is proposed for the period 1978-81.

European Research and Development Committee (CERD)

2.1.137. At its meeting on 13 June, CERD discussed in particular the Commission proposal for

a research programme on forecasting and assessment in the field of science and technology⁴ and the Communication which the Commission sent to the Council on the follow-up to the 'Europe+30' feasibility study.⁵ The Committee again stressed the need for the Community to embark upon long-term forecasting and technological assessment but did not feel that it should recommend any particular structure for this activity.

CERD also discussed at length the results of the seminar on the crisis of science in European society⁶ held in Brussels from 31 May to 2 June and the study sponsored by the Committee relating to the assessment of the requirement of scientific research and technological development at European level.⁷

Scientific and Technical Committee (CST)

2.1.138. The Scientific and Technical Committee met in Brussels on 21 June. After appointing Mr Geons and Mr Leslie as Chairman and Vice-Chairman, the Committee noted a communication from the JRC on the implementation of the 1973-76 research programme and on the progress of the new 1977-80 programme. The Committee issued an opinion, sent to the Commission and the Council, deploring the delay in approving the new programme and urging that approval be given very quickly without waiting for the JET programme to be settled.

Coordinating Committee on Fast Reactors

2.1.139. The Coordinating Committee on Fast Reactors met on 1 June. In particular, it laid the

Point 1.3.6. Point 1.3.4.

⁶ Point 2.1.133.

¹ Point 1.3.5.

Bull. EC 3-1977, point 2.1.116.

⁵ Bull. EC 9-1975, point 2243.

⁷ Tenth General Report, point 385.

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foundations for a study on the main problems of the fast reactor fuel cycle to be carried out jointly by the Commission and UNIPEDE.

The Committee also decided on the programme of activities for its Safety Working Group and discussed the draft of an agreement on the participation of the USNRC (United States Nuclear Regulatory Commission) in some of these activities.

Multiannual programmes

Pollution monitoring by remote sensing

2.1.140. An experiment of major importance for the interpretation of the data supplied by the instrumentation used in the remote sensing operation to be carried out by EURASEP (European Association of Scientists for Experiments on Pollution) began in mid-June. Using an airborne sensor measurements are being taken of marine pollution in the area situated between Nordwijk in the Netherlands and Cap Gris Nez in France and correlated with samples taken by a dozen laboratory ships in the area.

The project, in which most European countries and the Community (through its direct and indirect action programmes) are participating, is being undertaken by EURASEP in response to a NASA (US National Aeronautics and Space Administration) proposal. In 1978, NASA will be launching the Nimbus G satellite fitted with a coastal zone colour scanner. The results of this operation will make it possible to measure the concentration of chlorophyl and organic decomposition products and the turbidity of the sea. The area covered by the satellite measurements will include the seas around the Community.

The Joint Research Centre will evaluate some of these measurements as part of its direct action programme. It is responsible for coordinating the activities of European laboratories working both

at national level and under the indirect action programme and for liaising with NASA.

Results of the work on the radiation protection programme for 1976

2.1.141. The 1976 annual report on the 1976-80 indirect action programme on radiation protection has just been published. It describes work on 200 projects by some hundred institutes, laboratories and working parties in the following fields: radiation dosimetry and interpretation of measurements, evaluation of the risks of irradiation and radioactive contamination of the environment, hereditary effects, short-term effects and delayed effects of ionizing radiation. Approximately 60% of the work is a continuation of studies from the 1972-75 multiannual programme on radiation protection and 40% relates to new topics. The results are described in some 400 scientific publications and communications.

Advisory Committees on **Programme Management (ACPM)**

2.1.142. The Solar Energy ACPM met on 2 and 3 June and drew up specifications for several projects (housing, photovoltaic, photochemical and photobiological conversions) which are to be undertaken in the second stage of the programme; the Commission will shortly put out invitations to tender for these projects.

2.1.143. The Hydrogen ACPM meeting on 28 June, chose the first ten research proposals for the second phase of the indirect action programme.

2.1.144. The ACPM responsible for the programme on the management and storage of radioactive waste (direct and indirect projects) met on 13 and 14 June. The major part of the meeting was spent in studying the indirect action pro-

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gramme for 1975-801 and the Committee concluded—in agreement with the Commission-that no major review of this programme was required (the original Council Decision of 24 June 1975 made provision for this).

2.1.145. The ACPM for the indirect action programme on plutonium recycling in light-water reactors, which met on 16 June, also decided that no major technical revision of the programme adopted by the Council on 17 December 1974² for the period 1975-79 was required. The Committee recommended, however, that the work originally planned to take four years be extended to five years, without any increase in the expenditure ceiling, originally estimated at 4.5 million u.a.

2.1.146. At its meeting on 28 June, the ACPM for Environmental Research devoted most of its discussions to two new concerted action projects which follow on from COST projects : the physicochemical behaviour of atmospheric pollutants (COST project 61a) and the analysis of organic micropollutants in water (COST project 64b). The coordination of these new projects will be financed by the Commission as part of its indirect action programme. The ACPM delivered a favourable opinion on the two projects which will shortly be sent to CREST.

2.1.147. On 16 June³ Parliament adopted a Resolution on the need for a Community policy on the use of solar energy. On 17 June,⁴ it gave its opinion on a proposal from the Commission to the Council for concerted action in relation to a research programme on the treatment and use of sewage sludge.

Education

Education Committee

2.1.148. At its meeting on 24 June, the Education Committee was informed of the work which the Commission had done and was continuing in connection with the education of the children of migrant workers. It head a report on the results of studies concerning the language problems experienced by these children.

Education of migrant workers' children

2.1.149. At its meeting in Luxembourg on 28 June,⁵ the Council (Social Affairs) adopted a Directive with the aim of adapting school structures and curricula to the specific educational needs of migrant workers' children.

This Directive requires the Member States to take measures, in keeping with their own educational systems, to ensure that the children of migrant workers receive introductory instruction, including tuition-suitably adapted to the specific needs of these children-in the language of the host country.

In addition, Member States will, in cooperation with the country of origin, take the necessary steps to provide initial and follow-up training for the teachers giving this tuition and to promote the teaching of the mother tongue and culture of the country of origin of migrant children.

In order to achieve these objectives, the Directive introduces the necessary degree of flexibility to allow for the structural differences in the various educational systems in question. The Member States have four years to implement this Directive.

Although the Directive only covers children of workers who are nationals of a Member State and are working in another, the Council confirmed, in a declaration accompanying the Directive, its political resolve to ensure that children of all mi-

Bull. EC 6-1975, point 2257. Bull. EC 12-1974, point 2260.

Point 2.3.6.

Point 2.3.19. 5

Point 1.1.7 and 2.1.53.

Scientific and technical information

grants benefit from the proposed measures. This is an important step forward in the education of over one-and-a-half million children of migrant workers in the Community.

Scientific and technical information and information management

The setting-up of Euronet

2.1.150. On 20 June the Commission and the French postal and telecommunications administration—acting on behalf of the consortium of postal and telecommunications administrations of the nine member countries—signed an important addendum to the outline agreement of December 1975, under which the administrations were assigned the task of setting up and operating a telecommunications network for the European data network (Euronet); work on implementing this agreement began in February 1976.¹

Euronet—a project initiated by the Community—is now under development, and will give Community users access to scientific, technical and socio-economic information from all corners of the globe.

The main provisions of the addendum signed in June relate to four points. The Community's contribution, which had been fixed at FF 10.5 million, is raised to FF 17 million; the increase is to cover a sharp rise in the number of host computers to be connected to Euronet. The line capacity and the number of gates will therefore be stepped up in order to accommodate these additional connections. The basic software, which originally was to be designed on much the same lines as that of the European Informatics Network (EIN), will now differ very appreciably from the EIN software; the new software, now being prepared, will be much better suited to the nature and structure of Euronet, but will cost more.

Against this, the postal and telecommunications administrations will jointly finance investment expenditure totalling FF 7 million.

The Community's participation in making good any operating deficit during the first five years will now be limited to a maximum of FF 12.75 million, which represents a yearly average of 15% of the Community's total investment expenditure for the network. Meanwhile, the Community has set on foot studies based on a fairly wide range of charges in order to determine as accurately as possible where the profitability threshold of the network lies.

Euronet is due to enter its operational phase in December 1978.

¹ Bull. EC 2-1976, point 2255.

Political cooperation

Enlargement

Accession negotiations — Greece

2.2.1. The sixth session of the accession negotiations with Greece at Deputy level (ambassadors) was held on 9 June. The Greek Delegation made statements concerning the free movement of capital and the right of establishment. The Community made a statement on social affairs.

2.2.2. During June the Greek Delegation and the Commission continued their examination of the Community's secondary legislation. The subjects covered were the budget, institutions and the staff regulations.

Political cooperation

Middle East

2.2.3. The European Council, which met in London on 29 and 30 June adopted the following statement on the Middle East:

Statement on the Middle East

1. At the present critical stage in the Middle East, the Nine welcome all efforts now being made to bring to an end the tragic conflict there. They emphasize the crucial interest which they see in early and successful negotiations towards a just and lasting peace. They call on all the parties concerned to agree urgently to participate in such negotiations in a constructive and realistic spirit; at this juncture in particular all parties should refrain from statements or policies which could constitute an obstacle to the pursuit of peace.

(i) The inadmissibility of the acquisition of territory by force;

(ii) The need for Israel to end the territorial occupation which it has maintained since the conflict of 1967;

(iii) Respect for the sovereignty, territorial integrity and independence of every State in the area and their right to live in peace within secure and recognized boundaries;

(iv) Recognition that in the establishment of a just and lasting peace account must be taken of the legitimate rights of the Palestinians.

It remains their firm view that all these aspects must be taken as a whole.

3. The Nine have affirmed their belief that a solution to the conflict in the Middle East will be possible only if the legitimate right of the Palestinian people to give effective expression to its national identity is translated into fact, which would take into account the need for a homeland for the Palestinian people. They consider that the representatives of the parties to the conflict including the Palestinian people, must participate in the negotiations in an appropriate manner to be worked out in consultation between all the parties concerned. In the context of an overall settlement, Israel must be ready to recognize the legitimate rights of the Palestinian people: equally, the Arab side must be ready to recognize the right of Israel to live in peace within secure and recognized boundaries. It is not through the acquisition of territory by force that the security of the States of the region can be assured; but it must be based on commitments to peace exchanged between all the parties concerned with a view to establishing truly peaceful relations.

4. The Nine believe that the peace negotiations must be resumed urgently, with the aim of agreeing and implementing a comprehensive, just and lasting settlement of the conflict. They remain ready to contribute to the extent the parties wish in finding a settlement and in putting it into effect. They are also ready to consider participating in guarantees in the framework of the United Nations.

^{2.} The Nine set out on many occasions in the past, for example, in their statements of 6 November 1973,¹ 28 September 1976^2 and 7 December 1976,² their view that a peace settlement should be based on Security Council Resolutions 242 and 338 and on:

¹ Bull. EC 10-1973, point 2502.

 $^{^{\}rm 2}$ Statements made on behalf of the Community by the Dutch Presidency in United Nations General Assembly debates.

Multilateral approaches

Political cooperation

Conference on Security and **Cooperation in Europe**

Belgrade preparatory meeting for CSCE review meeting

2.2.4. On 15 June a meeting of officials took place in Belgrade to make preparations for the review meeting provided for in the Final Act of the Conference on Security and Cooperation in Europe. The review meeting itself, which is scheduled to take place in the autumn of 1977, also in Belgrade, is, according to the Final Act, intended for 'a thorough exchange of views both on the implementation of the provisions of the Final Act and of the tasks defined by the Conference, as well as, in the context of the questions dealt with by the latter, on the deepening of the mutual relations (of the participating States), the improvement of security and the development of cooperation in Europe, and the development of the process of détente, in the future'.

The Community as such took part in the CSCE, and the Final Act of the Conference was signed by Mr Aldo Moro in his dual capacity as Prime Minister of Italy and President of the Council of the European Communities.¹ On that occasion Mr Moro declared that, so far as matters of Community competence were concerned, the expression 'participating States' in the Final Act should be understood as applying to the European Communities, and that 'in implementing the conclusion of the Conference, the Community's views will be expressed, in accordance with its internal rules, whenever matters falling within its competence are involved'.²

In accordance with this declaration, the Community is taking part as such in the preparatory meeting at Belgrade. The delegation of the Presidency includes representatives of the Commission, who will speak on matters of Community competence. The same procedure will be followed at the review meeting itself later in the year.

Multilateral approaches

Conference on International **Economic Cooperation**

2.2.5. The Paris Conference is over; the North-South Dialogue, however, continues and will be taken up in other forums. These were the conclusions drawn by the Commission following the Ministerial Conference which opened on 30 May in Paris and ended in the small hours of 3 June.³

The first reactions of Mr Roy Jenkins and Mr Claude Cheysson after the Conference³ were confirmed by the Commission, which, at its meeting on 8 June, reviewed the proceedings of the Conference and the nature and scope of the results obtained.

Following this examination, the Commission felt that the Conference had produced useful results in many areas even if it had fallen short of expectations.

A number of specific, novel measures had been agreed to help developing countries—for instance, \$ 1 000 million special aid for the poorest countries. Some of the most important issues had been resolved at political level, for instance the common fund for raw materials, which a few months previously had been opposed by the United States and a number of Community countries.

Last but no means least, eighteen months of discussions meant that industrialized countries and developing countries now understood each other better. In some cases study, analysis and reflection had provided a common basis for future work.

The Commission expressed the hope that the decisions taken in Paris would be acted on quickly,

Bull. EC 7/8-1975, point 1201.

²

Bull. EC 7/8-1975, point 1202. Bull. EC 5-1977, points 1.2.1 to 1.2.12.

Multilateral approaches

Multilateral approaches

either directly by the industrialized countries or indirectly by the reopening of discussions within the appropriate UN agencies.

After considering how the outcome of the CIEC will affect future negotiations with developing countries, the Commission expressed its determination to maintain a constant watch on all the negotiations in progress on development problems and to present proposals as soon as possible on the steps to be taken by the Community.

Accordingly, following the Paris Conference, the Commission departments in June drew up a working document intended as preparation for the forthcoming session of the United Nations Economic and Social Council (from 5 July to 6 August), and the resumption of the 31st session of the United Nations General Assembly (12-17 September), followed as from 19 September by the 32nd session.

Implementation of the UNCTAD IV programme

Preparatory meetings under the integrated programme for commodities:

Rubber

2.2.6. A further preparatory meeting on rubber in the context of the integrated programme for commodities was held in Geneva from 6 to 10 June. It was preceded (2 to 6 June) by a meeting of an intergovernmental group of experts which, using as a text for discussion a document circulated by the Association of Natural Rubber Producing Countries, examined proposals to stabilize natural rubber prices by means of an international agreement based on a buffer stock of 400 000 tonnes, supported if necessary by measures to 'rationalize' supplies. Although no definite conclusions were reached by the group about these proposals, a genuine dialogue took place and as a result a much clearer understanding of the underlying issues involved in trying to stabilize natural rubber prices emerged. It was agreed that governments should focus their attention on these proposals, and possibly others.

As the result of the progress achieved in the intergovernmental group, the meeting agreed that a procedural mechanism should be set up to complete the analytical phase of its work and within a prescribed timetable to prepare for the next phase including decisions with regard to the negotiation of a possible commodity agreement for natural rubber. An intergovernmental task force has been set up with the mandate to consider in greater detail and assess the specific elements of a possible commodity agreement for natural rubber and other factors relating to natural rubber as already identified by the intergovernmental group in its report, together with any other proposals, in order to make concrete recommendations on them by the end of November 1977; its recommendations should be considered at a third preparatory meeting to be called no later than February 1978.

Manganese

2.2.7. Another preparatory meeting, this time on manganese, met in Geneva from 13 to 16 June; the Community took part in it and made a statement to the meeting. The meeting was pointless in that no specific problems were identified in the manganese market, so there is no reason for an international agreement on this commodity.

Consumers pointed out that manganese ore was not subject to short-term fluctuations because international trade was carried out largely under annual commercial contracts. Manganese ore was stable compared with other commodities and prices had risen significantly since 1973. Producers admitted this but emphasized that prices were still low in real terms in view of world inflationary pressure. They hoped the present cyclical downturn in the steel industry would soon be corrected by a more substantive economic recovery in the world economy resulting in increased demand for manganese. In view of this information and of the low key of the meeting, the consideration of problems in the manganese market was postponed indefinitely.

Cotton

2.2.8. The first preparatory meeting on cotton organized under the UNCTAD integrated programme for commodities took place in Geneva from 20 to 24 June. In his statements, the Community representative particularly stressed the Community's positive involvement in the talks on cotton, the importance of which is indisputable both for producers, in particular for the developing countries for which it is a major source of export revenue, and for consumers (the Community is the world's biggest importer of cotton). The Community also stressed the advantage of bringing about a stabilization of the cotton market by restricting excessive fluctuation in prices and by ensuring regular supplies to the market.

Following this first stage, during which the different delegations made a preliminary examination of the specific problems in the sector and commented on some of the measures which could help to stabilize the market, it was agreed that a further meeting would take place between government experts.

They would examine in depth the reasons for the excessive fluctuations in prices which have occurred in recent years and the measures which could help to maintain them within reasonable limits.

Dilseeds and vegetable oils

2.2.9. The Community was represented at a preparatory meeting on oilseeds and vegetable bils which took place in Geneva from 27 June to 1 July.

The meeting did not yield any concrete results. It was soon obvious that the existing studies and information on this complex market—covering a large number of often interchangeable products—were inadequate and so the time was not ripe for an international agreement.

The participants in the preparatory meeting therefore asked the secretariats of UNCTAD and the FAO (which has an intergovernmental group on oilseeds) to carry out further studies on the basis of which discussions could begin at a new preparatory meeting planned for the beginning of 1978.

Multilateral trade negotiations

Trade Negotiations Committee

Safeguards

2.2.10. The Safeguards Group, which met on 27 and 28 June, examined problems relating to internal procedures, short-term, seasonal or cyclical movements, notifications, consultations, supervision and the settlement of disputes.

The Group also commented briefly on the statements made at the last meeting on certain interrelated subjects, concerning the following: criteria, terms, suspension of concessions, compensation and aid towards reorganization. The discussions did not lead to any substantial progress and the Group agreed to re-examine these questions at the meeting which should take place next autumn.

Government procurement

2.2.11. The Subgroup met on 14 and 15 June and carried out a detailed examination of the major problems and main negotiating approaches on public contracts. It dealt in particular with questions regarding non-discrimination, transparency, supervision and settlement of disputes, taking Development

into account in particular the differential treatment for developing countries.

The Subgroup agreed to ask the Secretariat to draw up a list of the points raised incorporating the remarks and proposals made during the discussion. It also decided to devote the next meeting in the autumn to examining specific questions in the field of public contracts.

Development

The Council and development questions

2.2.12. Among the items discussed at the Council meeting on development, held in Luxembourg on 16 June, were aid for non-associated developing countries,¹ food aid² and rural development.

On the last point, the Council held a general discussion on rural development, agriculture and food production in developing countries.

This discussion was the first time that the Council was putting into practice its decision of 22 March 1977^3 to hold at least once a year, and if possible twice, a general discussion on certain fundamental problems arising in relations with the developing countries, with a view to achieving greater consistency between the development cooperation policies of the Community and of the Member States. After hearing the Commission's views, the delegations were able to relate their own national experiences in this field. Emphasis was placed on the need for intensive rural development, a reflection of the growing awareness in the international community of its priority nature.

Development cooperation policy

Relations with non-governmental organizations

2.2.13. During the first six months of the year. the Commission has received 67 project applications from 31 non-governmental organizations (NGOs) specializing in development aid. So far 39 projects, representing a Community commitment of more than 1 450 000 u.a., have been approved.

2.2.14. At the Commission's invitation, the representatives of forty non-governmental organizations met in Brussels from 22 to 24 June to discuss the possibilities of cooperating in making the European public more aware of development aid. Following this exchange of information and ideas, the non-governmental organizations adopted a resolution calling on the Community to allow them regular and proper access to information on current development questions. They also insisted that special funds for financing their activities in all the Member States should be included in the next Community budget.

Food aid and emergency aid

2.2.15. Under the milk products aid programme for 1977,⁴ the Council agreed on 16 June⁵ to supply 3 200 tonnes of butteroil to the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA). The operation will cost around 3 270 000 u.a.

Financial and technical aid

2.2.16. At its 16 June meeting the Council considered how to allocate the 45 million u.a. entered in the Community budget for 1977.6 It then discussed general guidelines for the allocation of these funds, which will enable the Com-

Point 2.2.16.

Point 2.2.15. 3

Bull. EC 3-1977, point 2.2.10. Bull. EC 5-1977, point 2.2.12. 4

⁵ OJ L 150 of 8.6.1977.

Bull. EC 2-1977, point 1.4.1.

Commodities and world agreements _____

Commodities and world agreements

mission to present concrete financing projects for its approval.

Commodities and world agreements

Wheat

2.2.17. The International Wheat Council met in London from 27 to 29 June. The main item on the agenda concerned future action directed towards the preparation of a new Agreement containing economic provisions to replace the 1971 Agreement.

The discussion related to timing and procedure rather than to substance. It was, however, agreed to proceed to active discussion of the substantial questions at two meetings of the IWC's Preparatory Group at the end of September and of October.

At its next meeting at the end of November, the IWC will then review the progress made by the Preparatory Group and take a decision on the convening of a negotiating conference early in 1978.

The other main point of interest for the Community at this session was the election of a Com-munity representative, Mr Henri Corson of France, as Vice-Chairman of the IWC for 1977/78. This will automatically bring him to the Chairmanship in 1978/79.

Cocoa

2.2.18. The Community attended a meeting of the Executive Committee of the International Cocoa Council, held in London from 8 to 14 June.

The Executive Committee resumed its consideration of the revision of the price range set in the

1975 International Cocoa Agreement.¹ But it was unable to put a recommendation to the International Cocoa Council, since the positions of the producer and consumer countries still diverged sharply. The Committee will be considering the matter again in June, before the next session of the International Council opens.

The Executive Committee also gave further thought to the membership and terms of reference of the Advisory Committee on Cocoa which is to keep all matters relating to the world cocoa economy under constant review.²

Bananas

2.2.19. The second session of the Working Party of the FAO Intergovernmental Group on Bananas, to discuss the elements of a possible international agreement, was held in Rome from 30 May to 4 June; the first session had been held in July 1976.³ Four Member States of the Community are members of the Working Party, which consists of eleven countries and includes two ACP suppliers. The Commission has observer status.

Some progress was made at this session on discussion of the elements of an international agreement based on export quotas, but no attempt was made at this stage to quantify the quotas. The exporting countries are now unanimous that this is the appropriate mechanism to adopt for bananas, which are a non-stockable commodity. The importing countries are not unanimous in their support for the principle of export quotas, but it is hoped that, as the discussions proceed, notably among the exporters, the reservations of some importing countries will be withdrawn. Agreement was reached between the free-market suppliers (from Latin America) and the preferential suppliers (DOM, ACP, OCT) that exports from

¹ OJ L 321 of 20.11.1976.

 ² Bull. EC 3-1977, point 2.2.18.
 ³ Bull. EC 7/8-1976, point 2332.

Commercial policy

the latter would be excluded from annual quotas up to a specified volume based on traditional quantities.

It was also unanimously agreed that the technical preparatory work should continue under the auspices of the FAO until the work was sufficiently advanced (in the form of a draft agreement) to be considered at a preparatory meeting under the integrated programme for commodities adopted by UNCTAD IV.

Commercial policy

Formulating and implementing the common commercial policy

Import arrangements

Instruments of commercial policy

2.2.20. At its meeting on 27 June,¹ the Council amended the basic Regulation of 5 April 1968² on protection against dumping or the granting of bounties or subsidies by countries which are not members of the European Economic Community. The aim of this amendment is to allow the Commission, where necessary, to alter or withdraw anti-dumping measures or subsidies instituted on a national basis by the United Kingdom or Ireland during the transitional period laid down by the Treaty of Accession; they ended on 30 June.

2.2.21. On 14 June³ the Council amended the Community regulations on trade to reflect the unification of Vietnam. These regulations had hitherto laid down separate import arrangements for North Vietnam and South Vietnam.

So that the same import arrangements should in future apply to the whole of Vietnam, the Council extended to the Socialist Republic of Vietnam

the arrangements applied to the former North Vietnam by amending the list of non-member countries annexed to the basic Regulation of 19 December 1969⁴ establishing common rules for imports from State-trading countries, the Regulation of 4 June 1974⁵ on common rules for imports and the Decision of 27 March 19756 on unilateral import arrangements in respect of State-trading countries.

In order to promote the development of imports of Vietnamese products into the Community, the same Decision also provides for the opening of import quotas for its agricultural and industrial products.³

Relaxation of restrictive measures

2.2.22. Under the Council Decision of 27 March 19756 on unilateral import arrangements in respect of State-trading countries, the Commission adopted the following decisions relaxing import restrictions:

• Federal Republic of Germany-Hungary and Federal Republic of Germany-Poland: increase in two quotas for bars and rods of iron or steel;⁷

• Italy-Poland: exceptional opening of a quota for vehicle engines;⁸

• Italy-Czechoslovakia: exceptional opening of a supplementary quota for Skoda cars, spare parts and accessories:9

- OJ L 149 of 17.6.1977.
- OJ L 19 of 26.1.1970.
- OJ L 159 of 15.6.1974.
- OJ L 99 of 21.4.1975. 7
- OJ C 143 of 17.6.1977. OJ C 167 of 14.7.1977. OJ C 158 of 6.7.1977.

OJ L 160 of 30.6.1977. OJ L 93 of 17.4.1968.

Commercial policy

Commercial policy

• France-German Democratic Republic: opening of a quota for electric motors for the second half of 1977.¹

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Investigation, surveillance and safeguard measures

2.2.23. The problems raised by Japanese imports of ballbearings into the Community—already covered by anti-dumping legislation introduced by the Commission on 4 February 1977² and extended for a further three months by the Council on 3 May 1977³—were the subject of the following statement made by the Commission spokesman on 22 June:

'On 20 June, Japanese manufacturers of ballbearings and tapered roller bearings offered the Commission certain assurances concerning future exports to the Community. These assurances included a substantial increase in the prices of almost all types of ballbearing and tapered roller bearing throughout the Community. The increased prices will be kept in line with future price developments in Japan, and regular reports on the situation will be made to the Commission. The Community institutions are currently examining these assurances to decide whether they are acceptable.'

2.2.24. On 18 June, the French Government announced that from 22 June it would implement safeguard measures under Article XIX of GATT in respect of four textile products: men's shirts, women's blouses, T-shirts and cotton textiles. It stated that these measures would not be applied to certain countries having agreements with the Community—EFTA, ACP and Mediterranean countries. The French Government also intended to introduce safeguard measures for four other products (dresses and skirts, costumes, trousers and cotton fabrics) against Morocco, Tunisia, Spain, Turkey and Mauritius.

At its meeting on 22 June, the Commission pointed out that France was not at liberty to take national measures in this matter, as power to act here was vested in the Community alone. This position had been made clear to the French Government, which had agreed to postpone implementation of the proposed measures.

The Commission had established, however, that an excessive and disorderly expansion of imports of certain textile products had in fact created a difficult situation. It therefore took the following decisions:

— to initiate the procedures which had been written into the agreements with Turkey, Spain, Morocco and Tunisia;

- to open negotiations with Greece;

— to invoke the binding consultation clauses contained in bilateral agreements concluded under the MFA;

- to take appropriate steps as regards State-trading countries.

2.2.25. The interim protective measures adopted by *Italy* on 27 May against imports of motorcycles and sound heads from Japan were discussed by the Commission on 22 June. It decided to present a proposal to the Council introducing a quota for the import of motor-cycles into Italy. As regards sound heads, the Commission decided to use its good offices to persuade Italy to withdraw its unilateral measures, since only the Community was legally entitled to go back on the liberalization of this product.

2.2.26. On 13 June the Commission renewed⁴ until 31 December 1978 its Decision of 13 March 1975 laying down detailed rules for retrospective control of imports of shoes into the Community. It considered that the reason which led it to adopt the original 1975 Decision (the considerable rise in imports of shoes into the Community, affecting a particularly sensitive Community indus-

¹ OJ C 165 of 13.7.1977.

² OJ L 34 of 5.2.1977.

³ OJ L 112 of 3.5.1977.

⁴ OJ L 169 of 7.7.1977 and Bull. EC 3-1975, point 2309.

Commercial policy

Commercial policy

try) continued to apply, so that controls should be extended to the end of next year.

Credit insurance, export credit

2.2.27. On 6 June, the Commission transmitted to the Council a proposal for a directive, based on Article 113 of the EEC Treaty, relating to *common principles* to be adopted in export *credit insurance* systems for medium- and long-term transactions with public and private buyers.

This new approach to harmonization based on uniform principles had been adopted by the Commission in 1974 in place of harmonization based on standard texts of insurance policies.

The proposed directive provides for these uniform principles to be applied in the following fields:

• exports to non-member countries, guaranteed by specific or comprehensive or selected transaction policies and effected on the basis of a supplier credit;

- performance bonds;
- direct guarantees to banks;

• transactions carried out on the basis of financial credits and guaranteed by individual policies.

The Commission continues to attach great importance to the harmonization of export credit insurance systems in view of the part they play in international trade, where the intervention of public authorities has an appreciable influence on competition.

2.2.28. At its meeting on 16 June, the Council adopted a Decision under which the Member States of the European Economic Community would continue to apply, until 31 December 1977, certain guidelines for the granting to non-member countries of export credits which enjoy official support and are for a period of two years or more. This Decision follows that adopted by the Council on 14 March 1977.¹

2.2.29. On 15 June, *Parliament* adopted a resolution on the harmonization of arrangements for aiding exports.²

Specific measures of commercial policy

Textiles

Multifibre Arrangement

2.2.30. On 21 June, the Council authorized the Commission to open negotiations on the renewal of the Arrangement regarding international trade in textiles—the Multifibre Arrangement—in accordance with the directives it had adopted to that end.

This decision was adopted on the basis of proposals submitted by the Commission and discussions held within the Community.

Account was taken, among other things, of the development and effects of imports of certain textile products into the Community during the last two years, and in particular the relative importance of imports of certain of them in relation to consumption.

The negotiations on the renewal of the Multifibre Arrangements take place within GATT, beginning in Geneva on 5 July.

Yugoslavia: Agreement signed

2.2.31. The Agreement between the Community and Yugoslavia on trade in textiles, negotiated in 1976 under the Multifibre Arrangement, was signed on 30 June; it had been initialled on 25 June 1976.³

¹ Bull. EC 3-1977, point 2.2.22.

² Point 2.3.25.

³ Bull. EC 6-1976, point 2305.

Commercial policy

Commercial policy

This Agreement, whose de facto application had been agreed between the two sides pending the completion of the procedures necessary for its entry into force, provides—as in the case of other agreements concluded under the MFA-for Yugoslavia to exercise voluntary restraint as regards exports of certain sensitive products to the Community market and for a special consultation clause, under which voluntary restraint may also be exercised, if necessary, in respect of exports of certain other products. In return, the Community undertook to suspend existing quantitative limits in respect of other textile products not covered by the Agreement. Specific provisions were included concerning re-imports of textile products exported temporarily by the Community to Yugoslavia for processing. The Agreement runs from 1 January 1976 to 31 December 1977.

Pakistan

2.2.32. On 13 June,¹ the Commission adopted a Regulation authorizing the United Kingdom to subject to authorization in 1977, within given auantitative limits, imports of certain knitted or crocheted articles originating in Pakistan. This measure was adopted because the disruption of the market in the United Kingdom had worsened, particularly as a result of a rapid increase in imports from Pakistan.

Singapore

2.2.33. Following consultations with the Singapore authorities under the Agreement negotiated between Singapore and the Community on trade in textile products, Singapore has undertaken to restrict its exports of certain knitted or crocheted garments to the Federal Republic of Germany, the Benelux countries, France and the United Kingdom, to agreed quantitative limits. These arrangements were agreed as a result of market disruption in the Member States concerned, a situation which was aggravated by the sharp increase in imports of these products from Singapore. These limits, which will apply throughout 1977, were introduced on the Community side by a Commission Regulation of 6 June.²

2.2.34. Furthermore, under a Regulation of 23 June,³ the Commission adopted provisions relating to the administration of quantitative limits on imports of certain textile products established under the Agreement between the Community and Singapore on trade in these products. This Regulation provides in particular for the allocation among the Member States of the Community quantitative limits laid down in the Agreement.

Thailand

2.2.35. On 14 June,¹ the Council decided to extend until 31 December the arrangements introduced by the Commission⁴ for making the importation into the Benelux countries of jute yarn from Thailand subject to authorization. This measure was adopted owing to the failure to find a mutually acceptable solution to the problem during consultations between the Community and Thailand. However, the two parties have agreed to resume discussions at a later date with a view to finding a solution.

2.2.36. Earlier, on 3 June,⁵ the Council had also decided to maintain the arrangements introduced by the Commission⁶ for making the importation into Italy of certain fabrics originating in Thailand subject to *quantitative limits*. However, since the negotiations between the Community and Thailand on an Agreement on trade in textile products were concluded in the meantime,⁷

¹ OJ L 148 of 16.6.1977.

² OJ L 140 of 8.6.1977. 3

OJ L 155 of 24.6.1977. 4

OJ L115 of 6.5.1977. 5

⁶

OJ L 138 of 4.6.1977. OJ L 98 of 22.4.1977 and L 116 of 7.5.1977. 7 Bull. EC 4-1977, point 2.2.36.

the implementing provisions of this Agreement will replace the limits fixed unilaterally.

India

2.2.37. The measures adopted by the Commission last April¹ subjecting to authorization, within given quantitative limits, imports into the United Kingdom of cotton yarn and certain knitted or crocheted products originating in India were confirmed by the Council on 7 June;² the quantitative limits will therefore remain in force until 31 December 1977.

Bangladesh

2.2.38. On 27 June,³ the Council adopted a Regulation concerning import arrangements for certain jute products originating in Bangladesh. This Regulation lays down provisions for the implementation of the Agreement on trade in jute products negotiated between the Community and Bangladesh;⁴ the provisions of this Agreement were applied *de facto* following the conclusion of the negotiations.

International organizations

United Nations

United Nations Industrial Development Organization

2.2.39. The Community was present as an observer at the 11th meeting held by the Industrial Development Council, from 23 May to 6 June.

After reviewing the various aspects of the consultation system in industry recently set up in UNI-DO, the Council came to the conclusion that the experience gained so far had been useful and could provide a basis for further consultations. The new series of consultations planned for 1977 will deal with the leather and leather articles industry and the vegetable oils and fats industry, while the consultations organized at the beginning of the year (fertilizers and iron and steel) will, of course, continue. The Council authorized the Secretariat to make preparatory arrangements for consultations in other industries, to be specified later, during the two-year period 1978-79.

The Council thought that the United Nations Industrial Development Fund should have \$ 50 million per year at its disposal, and asked the General Secretariat to call an initial conference during the year, at which contributions to the Fund could be announced. Several Eastern European countries entered reservations.

World Food Council

2.2.40. The third Ministerial Meeting of the World Food Council was held in Manila from 20 to 24 June. The Community attended it as observer. Unlike the two earlier meetings, which came to no definite conclusion, this meeting ended in agreement on the main factors of an action programme to eradicate hunger and malnutrition. The recent CIEC agreement on food and agriculture made it much easier to reach a consensus.⁵

The final communiqué of the Manila Conference stressed the following points:

The need for the international community to (i) increase the proportion of pubic development aid devoted to food and agriculture, so as to increase food production in the developing countries by at least 4%; the need to give special attention to

OJ L 103 of 27.4.1977.

OJ L 140 of 8.6.1977. OJ L 158 of 29.6.1977. Bull. EC 7/8-1976, point 2314. Bull. EC 5-1977, point 1.2.11.

those which were considered as having priority from the point of view of food;

(ii) The value, in certain cases, of building up national grain reserves, beginning in 1977, from recently replenished stocks, and an appeal for the early negotiation of an international grain agreement to eliminate uncertainty with regard to food supplies and to stabilize food prices;

(iii) The need for traditional and potential food aid donors to renew their efforts to achieve the objective of 10 million tonnes of grain, and to ensure the supply of this aid by multiannual planning;

(iv) An appeal for special efforts to stabilize, liberalize and expand world trade in food products and to give the fullest consideration possible, in current negotiations, to the situation of the developing countries, particularly as regards access to markets in the developed countries.

Food and Agriculture Organization

2.2.41. The Community attended the 71st meeting of the FAO Council, held in Rome from 6 to 17 June.

The Council considered the world food and agriculture situation, and concluded that the improvement in food supply had continued in 1975 and 1976. But it noted that the terms of trade of most developing countries had further deteriorated.

The Council invited the countries receiving aid to increase their own efforts, not only to allocate greater domestic resources to agricultural and rural development, but also to overcome the social and institutional obstacles in their way. The Council also reviewed the main reports of its committees on world food security, commodity problems, agriculture, fisheries and forests.

International Labour Organization

2.2.42. The 63rd International Labour Conference was held in Geneva from 1 to 23 June. The Commission was represented at this meeting by Mr Vredeling, Vice-President, who addressed the Organization's Assembly.

In his address he stressed the pressing need to reinforce international cooperation so as to overcome the economic crisis, and emphasized that it was imperative to improve the employment situation. Three factors, he said, must be taken into consideration: the achievement of a certain rate of economic growth; the implementation of an active employment policy; aid to labour-intensive industries.

Finally, Mr Vredeling described relations between the Community and the developing countries, and showed what great efforts had already been made, particularly under the Lomé Convention.

General Agreement on Tariffs and Trade

GATT Council

2.2.43. The GATT Council was called at short notice on 16 June to consider the report of the Special Working Group responsible for examining the complaint lodged by Japan against the decision of a US Customs Court in the Zenith case. In its report, the Working Party said it was seriously concerned about the implications of the Customs Court's decision, and the consequences of this decision for world trade, multilateral trade negotiations and the GATT system itself. Concern has also been expressed about the threat of similar measures against other products and other countries.

The Council approved the report and shared the concern expressed by the Working Group. It

International organizations

therefore decided to continue to follow the matter closely, to keep it on the agenda and to undertake all suitable action in the light of future developments.

World Intellectual Property Organization

2.2.44. On 9 June the Commission approved an exchange of letters with WIPO. The letters exchanged give details of cooperation between the Commission and the Organization and lay the foundations for future participation by the Community as such in negotiating international instruments in WIPO.

International Commission for the **North-West Atlantic Fisheries**

2.2.45. ICNAF held its fifteenth annual meeting in Ottawa from 31 May to 10 June. The Commission represented those Community States which are members.

The main purpose of the meeting was to fix fishing quotas for 1978 in the area covered by this Convention.

It was agreed at the meeting that, while the Community as such could not be accorded a single quota, Member States receiving individual quotas would be able to reallocate these amounts among themselves, subject to notification of changes to the ICNAF secretariat.

In addition to the ICNAF meeting, a further preparatory session took place of the Intergovernmental Conference which is to establish in October 1977 a successor organization to ICNAF. Some progress was made in refining a Draft Convention for this successor organization, to which the European Community would wish to be a contracting party.

Organization for Economic Cooperation and Development

OECD Council

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2.2.46. The annual meeting of the OECD Council at ministerial level was held in Paris on 23 and 24 June. The Commission was represented by Mr Ortoli, Vice-President, and Mr Cheysson, Member responsible for Development.

After a thorough discussion of the problems of North-South cooperation following the Paris Conference,¹ the Council adopted a declaration on relations with the developing countries emphasizing the useful role played by the CIEC in strengthening the climate of the Dialogue. The Ministers also recognized in their statement that there was a need to improve development cooperation policies and to make them more effective, and that their objective was to increase income and to supply man's essential needs in all developing countries.

During the discussion on the application by the OECD countries of the strategy for sustained expansion adopted in 1976,² Mr Ortoli expressed the opinion that, while growth must continue. the fight against inflation still had to have priority. Different countries have applied different means to this end, and some have achieved relatively stable prices and large balance-of-payments surpluses, giving them a special responsibility to stimulate their economies. Productive investment is one means of stimulating an economy, but needs a climate of confidence and a favourable economic outlook. But no policy, however well designed, can succeed unless both sides of industry actively participate, and that is why the Community lays such store by tripartite action.

The Council thought that a 1978 growth rate of 5% of GNP would be desirable in the OECD re-

¹ Bull. EC 5-1977, points 1.2.1 to 1.2.12. ² Bull. EC 6-1976, point 2325.

gion. Better balance-of-payments equilibrium required that the growth of demand in externally weak countries should be kept within counter-inflationary limits while the stronger countries should, on the contrary, aim for sustained expansion of domestic demand and be ready to allow their currency to appreciate under the influence of market forces.

Finally the Council agreed a third one-year renewal of the Trade Pledge adopted on 30 May 1974,¹ agreeing that opportunities for consultation should be used fully. The Community as such endorsed this renewal.

Working Party on Shipbuilding

2.2.47. The OECD Working Party on Shipbuilding met in Paris on 27 and 28 June.² Those present considered the temporary support measures which certain Member States were considering taking. The Working Party previously met on 3 and 4 May.³

États Généraux of European municipalities

2.2.48. The twelfth *États Généraux* of European municipalities met in Lausanne from 8 to 11 June 1977 with 2 000 municipal and provincial elected officers taking part. The meeting was mainly devoted to the election of the European Parliament by direct universal suffrage and to action to be undertaken by local and regional communities in connection with the elections.

In a unanimous resolution, the *États Généraux* recalled that the 1978 election was one of the indispensable conditions, not only for preserving what the Community has already achieved, but also for accomplishing further progress in the building of Europe.

Council of Europe

Conference of European ministers of education

2.2.49. The standing conference of European ministers of education held its tenth meeting from 28 to 30 June in Strasbourg, with representatives from 21 member countries of the Council of Europe's Cultural Cooperation Council. The Community was represented by Mr Brunner, Member of the Commission.

The Ministers adopted a statement and two resolutions on the three themes of the conference: the school in its relations with society, education for migrants and European cooperation in education.

In their resolution on the education of migrants, the Ministers emphasized the importance of intensifying concerted action, an increasingly important problem in the present context of economic recession and unemployment among young people. The Ministers said they were especially interested in pre-school education, general or vocational secondary education and adult education, and particularly in the integration of families in their new social and cultural environment and the specific problems of migrant women. They called upon the international organizations and the European Community to encourage joint assessment of pilot experiments and research into education for migrants.

In their resolution on European cooperation in education, the Ministers recognized that the specific character of each international organization and of the European Community meant that they followed different conceptions and different approaches, so that duplication of effort was unlikely to be a serious problem. They reaffirmed

¹ Bull. EC 5-1974, point 2307.

² Point 2.1.20.

³ Bull. EC 5-1977, point 2.2.31.

Mediterranean countries

the importance they attached to continued cooperation between the States that had signed the European Cultural Convention of 19 December 1954.

As for schools and their relations with society-the principal subject of the meeting-the Ministers said that the schools could accomplish their mission-education-only through longterm action to ensure the personal fulfilment of the individual; dynamic integration into society and the ability to do a job were nevertheless, important sources of personal satisfaction.

Mediterranean countries

2.2.50. At its meeting on 21 June, the Council noted that the Commission proposed supplementing its initial analysis of the effects of the Mediterranean policy on agriculture with an analysis of its regional, social and industrial implications and submitting its findings in the autumn.

The Commission also informed the Council of the timetable which it intends to follow for submitting concrete and detailed proposals to supplement its preliminary communication¹ on Mediterranean agricultural problems.

Greece

On 15 June, Parliament² gave its opin-2.2.51. ion on the second Financial Protocol between the European Community and Greece.³

Cyprus

2.2.52. The negotiations between the Community and Cyprus for an additional Protocol to the Association Agreement EEC-Cyprus and a Financial Protocol were completed in Brussels on 22 June.

The negotiations were for the conclusion of an additional Protocol extending the first stage of the Association Agreement⁴ until 31 December 1979 and for the introduction of economic cooperation between the Community and Cyprus. At the same time, a financial Protocol was concluded which provides for financial aid of 30 million EUA to Cyprus.

The two sides also exchanged letters which provide for unilateral measures to be taken from 1 July (but not beyond 31 December) to extend the first stage to the Association Agreement until the additional Protocol comes into force.

Malta

2.2.53. The negotiations between the Community and Malta for an additional Protocol to the Association Agreement were completed on 29 June. This Protocol extends the first stage of the Association Agreement⁵ until 31 December 1980.

The two delegations exchanged letters which provide for unilateral measures to be taken from 1 July (but not beyond 31 December) to extend the first stage of the Association Agreement until the additional Protocol comes into force.

Maghreb

2.2.54. On 28 June, the Council adopted regulations6 on the agreements extending the Interim Agreements signed on 25, 26 and 27 April 19767

Bull. EC 4-1977, points 1.2.1 to 1.2.3.

Point 2.3.24.

Bull. EC 2-1977, point 2.2.31.

Bull. EC 2-1977, point 2.2.35, 3-1977, point 2.2.42 and 5-1977, point 2.2.37. ⁵ Bull. EC 2-1977, point 2.2.36 and 4-1977, point 2.2.55.

OJ L 159 of 29.6.1977. Bull. EC 1-1976, points 1301 to 1311 and 4-1976, point 2332.

ACP States and the OCT

between the European Community and Algeria, Morocco and Tunisia.

Mashrek

2.2.55. The Interim Agreements signed on 18 January 1977¹ between the European Community and Egypt, Syria and Jordan and the Interim Agreement signed on 3 May 1977² between the Community and Lebanon came into force on 1 July.³

Yugoslavia

2.2.56. The Subcommittee on Industrial and Technological Cooperation, set up by the EEC-Yugoslavia Joint Committee, met in Belgrade on 23 and 24 June. The two sides exchanged information concerning activities in the mechanical engineering, chemical and energy industries; they examined the question of cooperation between the Community and Yugoslavia in non-member country markets; they studied the possibility of organizing contacts between mechanical engineering and chemical firms from the two sides; finally, they discussed technical standards in industry.

The third Subcommittee met in Brussels on 23 June. The three subgroups on economic and financial questions set up by the Subcommittee reported on their discussions; the Subcommittee also examined the preliminary reports of the subgroups on tourism, transport and the environment, which had prepared lists of possibilities for mutual cooperation in their respective fields.

ACP States and the OCT

Visits of the Presidents of Zambia and of Botswana to the Commission

2.2.57. Dr Kenneth D. Kaunda, President of the Republic of Zambia, paid an official visit to

the Commission on 2 June. He attended a working meeting with President Jenkins and the other Members of the Commission. During the lunch that followed, President Kaunda expressed the grave anxiety of the people of Zambia in the face of the mounting internationalization of the liberation struggle in Zimbabwe and Namibia, and appealed to the Member States and the Commission of the European Communities for increased and urgent material support. In his reply, President Jenkins recalled the Communities' substantial contribution towards the development of the economies concerned, and their public commitment to the principle of liberty and human rights.

2.2.58. Sir Seretse Khama, President of Botswana, paid an official visit to the Commission on 20 June. He had private discussions with President Jenkins and Mr Cheysson and attended a working meeting with Commission officials. Discussions covered the political situation in southern Africa and the implementation of the Lomé Convention.

President Khama also met Members of the European Parliament, to whom he spoke of the democratic values shared by Botswana and Europe, stressing his country's attachment to a multi-party parliamentary system.

Lomé Convention

Situation in Uganda

2.2.59. On 21 June the Council issued the following statement on the situation in Uganda:

'The Council deplores the consistent denial of basic human rights to the people of Uganda.

¹ Bull. EC 1-1977, points 1.3.1 to 1.3.9.

² Bull. EC 5-1977, points 1.5.1 to 1.5.4.

³ OJ L 158 of 29.6.1977.

ACP States and the OCT

ACP States and the OCT

The Council agrees to take steps within the framework of its relationship with Uganda under the Lomé Convention to ensure that any assistance given by the Community to Uganda does not in any way have as its effect a reinforcement or prolongation of the denial of basic human rights to its people.'

Activities of the institutions

ACP-EEC Consultative Assembly

2.2.60. The ACP-EEC Consultative Assembly¹ held its second annual session from 8 to 10 June in Luxembourg under the joint chairmanship of Mr Colombo, President of the European Parliament, and Mr Yacé, President of the Ivory Coast National Assembly.

Mr Matoka, Zambian Minister for Economic Affairs and Technical Cooperation, and President of the Council, represented the ACP Council, Mr Tomlinson, President of the Council, represented the Council of the Communities, and the Commission was represented by Mr Cheysson, Member of the Commission with special responsibility for development.

Work centred on an examination of a report by Lord Reay on the annual report of the ACP-EEC Council of Ministers, to which the Commission's report on the administration of financial and technical cooperation in 1976 was attached.

The Consultative Assembly adopted an important resolution on the main aspects of the implementation of the Convention and on certain more political topics, such as southern Africa.

In his speech, Mr Cheysson recalled the results of the North-South Dialogue² and referring to the situation in southern Africa, declared that the Commission was with the ACP States in their struggle against the violation of human rights and that it would do everything in its power to reduce the suffering of the countries affected by the crisis.

Joint Committee of the ACP-EEC Consultative Assembly

2.2.61. The Joint Committee of the ACP-EEC Consultative Assembly³ met in Luxembourg on 6 and 7 June, under the joint chairmanship of Mr Deschamps (followed by Mr Bersani) and Mr Kassongo, in order to do the groundwork for the second session of the Consultative Assembly on 8 and 10 June.⁴

Association of the overseas countries and territorios

Export earnings

Stahex

2.2.62. On 22 June, the Commission transmitted to the Council a communication on the functioning in 1975 (the first year of Stabex)⁵ of the system for stabilizing export earnings set up by the Decision of 29 June 19766 concerning the association of the Overseas Countries and Territories with the Community.

European Development Fund

New financing decisions

2.2.63. Following the favourable opinion given by the EDF Committee, the Commission took new financing decisions in June, bringing the total commitments under the fourth EDF to 701 969 000 EUA; the new decisions concern the following projects:

Bull. EC 6-1976, point 2347.

Bull. EC 5-1977, points 1.2.1 to 1.2.12. Bull. EC 12-1976, point 2343. 2

³ 4

Point 2.2.50. 5

Bull. EC 2-1977, point 2.2.46. OJ L 176 of 1.7.1976 and Bull. EC 6-1976, point 2355. 6

Other countries

Gabon — Food and fruit-growing operations at Lambaréné and Franceville: 1710000 EUA.

All the ACP and OCT — Overall commitment authorization for the financing by accelerated procedure of technical cooperation and trade promotion schemes: 13 000 000 EUA.

Botswana, Ivory Coast and Kenya — Fixing an amount for the financing of a multiannual 1976-80 training programme: 1 200 000 EUA, 3 000 000 EUA and 2 000 000 EUA respectively.

Congo — Drainage of the river M'Foa in Brazzaville: 1 800 000 EUA.

Other countries

Fisheries¹

2.2.64. In June the Council held a wide-ranging discussion on the broad lines of the Community fisheries policy and took a number of decisions concerning the external aspects.²

Negotiations continued with The Faeroes³ and Iceland.⁴

The Council renewed the autonomous arrangements applicable to vessels flying the flag of Finland, Portugal, Sweden, the German Democratic Republic, Poland, the USSR and Spain.⁵

Interim measures were adopted for vessels flying the flag of certain non-member countries in the 200-mile zone off the coast of French Guiana.⁶

The agreement with the United States regarding fishing by Community Member States off the coast of the United States entered into force on 9 June.⁷

Industrialized countries

United States

Restrictions on imports of special steels

2.2.65. President Carter asked the International Trade Commission (ITC) for its opinion on the

economic consequences of a reduction in or the abolition of quotas for American imports of special steels decided in June 1976.⁸ The ITC has decided to hold public hearings on this subject on 23 August. Meanwhile, the second annual quota was opened on 14 June and in three days the quotas for two products (stainless steel wire rod and alloyed tool steel) were used up. All restrictions regarding steel for ball bearings were lifted as from 18 June.

Community exports of chrome steel

2.2.66. Following the completion in June of the negotiations with the American authorities, Community exports of chrome steel to the United States will now resume. Since these products do not contain Rhodesian chrome, imports to the United States are not contrary to the United Nations sanctions against Rhodesia.

Canada

2.2.67. A Parliamentary Delegation from Canada visited the Commission on 12 June. Discussions centred on Community matters: institutional questions, the common agricultural policy, relations between the Community and Canada, and in particular the implementation of the framework agreement for commercial and economic cooperation.⁹

¹ Only the external aspects are here; a more general treatment is given at 'Agriculture and fisheries'.

² Points 2.1.94 to 2.1.100.

³ Point 2.1.96.

Point 2.1.97.

⁵ Point 2.1.98. ⁶ Point 2.1.99.

⁷ Point 2.1.95.

⁸ Bull. EC 6-1976, point 2359.

⁹ Bull. EC 9-1976, point 2331.

EFTA countries

Joint Committee meetings

2.2.68. The Joint Committees established by the agreements concluded between the Community and the EFTA countries met in June.

Switzerland — The Joint Committee established by the EEC-Switzerland Agreement met on 1 June in Brussels. This meeting was followed by that of the Joint Committee of the ECSC Switzerland Agreement.

The two delegations examined the functioning of the Agreement and held a wide-ranging discussion on the general economic situation. They noted with satisfaction that since its entry into force four and a half years ago and in spite of the considerable economic difficulties of recent years, the Agreement has operated satisfactorily and that from 1 July 1977 the last customs duties on industrial products, with some exceptions, will have been abolished as planned. The rest of the meeting was concerned with technical questions.

As regards the ECSC, the two delegation heads discussed the crisis on the steel markets and the likely development of the situation. They also referred to the Community's recent crisis measures.¹

Sweden — The tenth meeting of the EEC-Sweden Joint Committee was held in Brussels on 1 June. The two parties were able to make a general assessment of the way in which the Agreement has worked. It was noted with satisfaction that in several fields contacts and cooperation have already been or are being widened. Both sides will examine how relations can best be further developed. The sixth meeting of the ECSC-Sweden Joint Committee held immediately after the EEC-Sweden meeting, focused on the difficult situation in the steel industry.

Norway — The EEC-Norway Joint Committee met on 6 June in Brussels. Both parties noted that the Agreement had worked satisfactorily despite the difficult economic situation. Both Norway and the Community will now examine the possibilities of further developing their relations. The ECSC-Norway Joint Committee held its fifth meeting on the same date. The main topics of the meeting were the difficult situation in the steel industry and the measures the Community has adopted to overcome these problems.¹

Austria — The Joint Committee established by the EEC-Austria Agreement met in Brussels on 7 June. The ECSC-Austria Joint Committee met afterwards.

The two delegations examined the functioning of the Agreement and held a wide-ranging discussion on the general economic situation. They noted with satisfaction that since its entry into force four and a half years ago and in spite of the considerable economic difficulties of recent years. the Agreement has operated satisfactorily and that from 1 July the last customs duties on industrial products, with some exceptions, will have been abolished. The Austrian delegation also raised the problem of its current balance of payments deficit with the Community. The rest of the meeting dealt with various technical questions.

As regards the ECSC, the two delegation heads discussed the crisis on the steel market and the likely development of the situation. They also referred to the crisis measures recently taken by the Community.¹

Iceland — The ninth meeting of the EEC-Icelanc Joint Committee was held on 9 June, in Iceland the first time the Committee had met there. The Icelandic Delegation stated that the Agreemen had functioned well since 1 July 1976 when Pro tocol No 6 (granting tariff concessions for certain

¹ Bull. EC 3-1977, points 2.1.15 to 2.1.19, 4-1977, point 2.1.14, 5-1977, point 2.1.6, 6-1977, point 2.1.15.

Other countries

Icelandic fisheries products) entered into force. The Community delegation expressed satisfaction at the working of the Agreement. It also recalled that a solution to the fisheries problem that was satisfactory to both Iceland and the EEC would be most welcome.

Finland — The EEC-Finland Joint Committee held its eighth meeting on 17 June in Helsinki. It was the first time the Committee had met in the Finnish capital. Both sides expressed their satisfaction with the operation of the Agreement and noted that it had been possible to reach the end of the transition period—1 July 1977—in accordance with the provisions of the Agreement despite worldwide economic difficulties. The two parties expressed their intention to consider possibilities of further developing their relations. The ECSC-Finland Joint Committee met immediately afterwards. The discussions centred on the difficulties in the steel industry and the Community's crisis measures.

Japan

2.2.69. An exchange of letters on cooperation between Japan and the Commission in environmental matters, the contents of which were approved by the Commission on 27 May,¹ was signed in Brussels on 1 June.

Australia

2.2.70. Mr Malcolm Fraser, the Australian Prime Minister, paid an official visit to Brussels on 17 June. He was received by Mr Jenkins and took part in a working lunch with the Commission.

The main features of economic and trade relations between the Community and Australia were discussed. It was decided that senior civilservants from both sides would hold talks in October and November in order to examine matters of mutual interest. These talks will centre on the state of multilateral trade negotiations, bilateral problems and those connected with international product agreements, raw materials and energy.

Developing countries

Asia

Association of South-East Asian Nations

2.2.71. On 21 June the Council approved the establishment of a procedure for dialogue between the Community and the ASEAN countries (Indonesia, Malaysia, Singapore, Thailand and the Philippines). Views will be exchanged on matters of common interest between the Permanent Representatives Committee and the Commission on the Community side and the five ASEAN ambassadors to the EEC on the other. This procedure supplements the existing cooperation between the Community and the ASEAN through Joint Study Groups.²

Latin America

2.2.72. The first session of the eighth meeting at Ambassador level between the Community and the Latin-American countries was held in Brussels on 13 June.

Following a review of the dialogue instituted at the previous session by the Latin-American countries,³ and which has at times been difficult, the Community for its part described recent practical achievements in favour of Latin America in the field of Community development policy (sales promotion, regional integration and finan-

Bull. EC 5-1977, point 2.1.41.

² Bull. EC 6-1975, point 2349, and Bull. EC 12-1976, point 2353.

³ Bull. EC 12-1976, point 2354.

cial aid). Mention was also made of future prospects for furthering the EEC-Latin-American Dialogue which have arisen out of recent contacts between the Commission and the Inter-American Development Bank¹ and the SELA Secretariat.² Lastly, in order to allow for more detailed discussion on trade between both sides at a future meeting, it was agreed that new impetus should be given to the joint working party on trade questions, following a work programme to be drawn up by mutual agreement. This working party, set up in 1972 at the third meeting, has not met since 1975.

State-trading countries

Community-CMEA

2.2.73. Following the Council meeting on 21 June, it was announced that the Council had completed its study of the letter addressed on 18 April 1977 to the President of the Council by the Chairman of the Executive Committee of the CMEA, Mr Olszewski,³ The Council decided at that meeting on the terms of the Community's reply.

China

2.2.74. It was announced in June that a Commission delegation will visit Peking in early July for exploratory conversations with the Chinese authorities, concerning a trade agreement between China and the Community. The possibility of such an agreement was first discussed during Sir Christopher Soames's visit to China in May 1975;⁴ there have been regular contacts since then between Commission officials and representatives of the Chinese Mission to the EEC in Brussels. The Commission delegation will arrive in Peking on 4 July.

Diplomatic relations

2.2.75. On 16 June⁵ the Council and the Commission noted the appointment of His Excellency Mr Inonga Lokongo L'Ome as the representative of the Republic of Zaïre at the European Economic Community (EEC).

The President of the Council and the President of the Commission received Their Excellencies Mr Lambert Messan (Republic of the Niger) and Mr Gerardo M. Bueno (United Mexican States). who presented their letters of credence in their capacity as heads of their countries' missions to the European Communities (EEC, ECSC, EAEC) with effect from 21 June.5

The new Ambassadors replace Mr Elebe ma Ekonzo (Zaïre), Mr Jean Poisson (Niger) and Mr Ramon Gonzales Jameson (Mexico), who have been appointed to other duties.

²

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Bull. EC 3-1977, point 2.2.69. Bull. EC 5-1977, point 2.2.61. Bull. EC 4-1977, point 2.2.81. Bull. EC 5-1975, points 1201 to 1205. OJ C 160 of 8.7.1977. 4

3. Institutional and political matters

Institutional developments — European policy

European Council

2.3.1. Following the discussions and exchanges of letters on the functioning of the European Council, which were prompted by the suggestions of the French President, Mr Giscard d'Estaing,¹ agreement was reached on the organization of European Council meetings at the meeting of the European Council in London on 29 and 30 June. After the meeting the Presidency released a paper which had been presented at the meeting and on which the Heads of State or Government had reached agreement.

Organization of European Council meetings

^{•1.} Prior to the European Council meeting in Rome at the end of March, the Presidency circulated a paper which sought to establish points of agreement which had emerged from the correspondence between Heads of Government about the ways in which the organization of European Council meetings might be improved. In the light of the discussion at that meeting, which was followed up by Foreign Ministers on 5 April, the following points are understood to represent a generally acceptable framework for the organization of future meetings:

(a) Types of discussion

There is general agreement that the European Council should have both:

(i) informal exchanges of view of a wide-ranging nature held in the greatest privacy and not designed to lead to formal decisions or public statements;

(ii) discussions which are designed to produce decisions, settle guidelines for future action or lead to the issue of public statements expressing the agreed view of the European Council.

It is also recognized that the European Council will sometimes need to fulfil a third function, namely to settle issues outstanding from discussions at a lower level. In dealing with matters of Community competence the European Council will conform to the appropriate procedures laid down in the Community Treaties and other agreements.

(b) Advance preparation of the agenda

For informal exchanges of view, it is generally agreed that little preparation is necessary, although some limited prior clarification of the questions is not to be excluded if it would facilitate discussion. Heads of Government should inform each other or the Presidency, a few days beforehand, of the subjects which they will wish to discuss. There is general agreement that there should be adequate preparation of those discussions which are aimed at reaching decisions or issuing statements. Foreign Ministers should have responsibility for such preparation, which could take place in the Council or the Political Cooperation machinery as appropriate, and will wish to meet at an appropriate time, and if necessary to hold a special meeting before the European Council, for this purpose.

(c) The issuing of statements

It is generally agreed that the European Council will wish to make public its decisions on some subjects or sometimes to issue a statement registering a concerted Community opinion on a topic of international concern. Such statements should not, other than in exceptional circumstances, be issued without advance preparation. A list of the subjects on which it is proposed statements should be issued should be drawn up two to three weeks in advance.

(d) The recording of conclusions

There should be no record of the informal exchanges of view between Heads of Government. For the discussions aimed at reaching decisions or issuing statements there should be a written record of conclusions, which should be issued on the authority of the Presidency.

(e) Attendance of officials

There is general agreement that the exchanges of views should be as intimate as possible and that attendance should be restricted as at present.'

Bull. EC 1-1977, point 2.3.4.

Election of the European Parliament

2.3.2. At its 15 June sitting, Parliament adopted a Resolution on voting rights in direct elections.¹ It calls on the governments and parliaments of the Member States to ensure that all citizens of Member States who fulfil all the conditions necessary to have the right to vote should be able to exercise this right in the election of the European Parliament, even if on the day of the election they are residing in a member country other than their country of origin. At the same time, steps should be taken to prevent double voting.

Institutions and organs of the Communities

Parliament

Part-session in Strasbourg from 13 to 17 June

2.3.3. The June sittings were dominated by the preparations for the direct elections in 1978 and the problems of energy research in the Community.²

The British Presidency of the Council concluded on a critical note, when, in a debate on request, the House discussed the link between the Community's multiannual research programme and the decision, by 'a European government', on the site for the JET project.

Parliament initiated the 1978 budgetary procedure with the examination of its own estimates and a discussion on the interinstitutional budgetary dialogue. In the sphere of economic policy, the House debated the projected European Cooperation Grouping, measures to prevent double taxation, problems of free movement and equal conditions of competition. On the social side, the House considered the humanization of work, the matter of people working at home, the Tripartite Conference and safety at work.

The issue of nuclear power stations and the development of other energy sources underlay the debates on energy and environment policy. Another subject in this area was bird protection in the Community.

On the external relations front, Parliament debated export aid systems, financial matters concerning the Association with Greece and the exports of the ACP and the OCT.

Direct elections

(15 June)

2.3.4. Parliament maintained that in the first direct elections in 1978 all citizens of the European Community must be able to exercise their voting right in whichever country they are living. If more liberal arrangements were not possible,³ Member States were at least to take the necessary steps to ensure that Community citizens residing in other member countries could vote in the host country for candidates standing in their home countries. Though the Election Act provides that Parliament itself has no say in the elaboration of the election procedure—this being for the Member States—the House nevertheless wanted to ensure that certain sections of the electorate—mi-

Point 2.3.4.

² This report was prepared from 'Information' published by Parliament's Secretariat.

The complete texts of the Resolutions passed by Parliament are reproduced in OJ C 163 of 11.7.1977 and the report of proceedings is contained in OJ Annex No 218.

The political group and nationality of members are indicated in brackets by the following abbreviations: C-D = Christian Democrats, S = Socialists, L = Liberals and Democrats, C= European Conservatives, EPD = European Progressive Democrats, COM = Communists and Allies, B = Belgium, DK = Denmark, D = Federal Republic of Germany, F = France, IRL = Ireland, I = Italy, L = Luxembourg, NL = Netherlands, UK = United Kingdom. ³ Ireland and the Netherlands are considering granting the

³ Ireland and the Netherlands are considering granting the right to vote in the European election to all Community citizens who fulfil the conditions of residence.

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grant workers in particular—were not prevented from voting because of the time and trouble of having to 'go home' to do so. At the same time, nobody must be allowed to vote twice, i.e. in both the home and host countries. The House therefore urged the Council to coordinate all the voting conditions and arrangements.

The rapporteur on direct elections. Mr Patijn (S/NL), pointed out that the European elections would revitalize the Community, only if there was a large turnout on polling day. Referring to Article 8 of the Election Act of 20 September 1976,¹ whereby no citizen may vote twice, Mr Patijn dealt with the problems arising in connection with the elections from the practical application of the right of establishment enshrined in the EEC Treaty. Many electors have lost their right to vote as a direct result of the continuing development of the Community. They included, in particular, migrant workers and their families and, oddly enough, many Community officials. All told they represented millions of Community citizens who had lost their political rights in promoting European integration.

Mr Zagari (S/I) urgently appealed to the national governments, parliaments and the Council to do their utmost to ensure that in the first European elections no undesirable discrimination was allowed to creep in. Under the present electoral conditions, this was certainly not the case of Italian migrant workers. For the 1.5 million Italian voters living in other Community countries, elections had always entailed long and difficult journeys and absence from work for anything up to a week. This meant in practice that only a fraction of the migrant workers—in the last parliamentary election only 56 000—exercised their voting rights. Europe should not allow this to happen in its first elections.

The Chairman of the Christian Democrat Group, Mr Klepsch (D) warned against any delay in the Member States' Parliaments over the basic decision on whether the European elections would actually take place. The national parliaments should complete the ratification immediately and then consider the national electoral legislations afterwards as a separate matter. Mr Klepsch urged the Council to put the necessary measures for coordination into effect.

Referring to the debate on direct elections then going on in the French National Assembly, the spokesman for the Liberal and Democratic Group, Mr Berkhouwer (NL), emphasized that they in no way imperilled the sovereignty of the national parliaments. Concerning the powers of the directly elected House, he pointed out that the most that would accrue to it would be what the national parliaments had already lost as integration advanced.

This argument was supported by the spokesmen for the European Conservatives, Mr Rippon (UK), and for the Communist and Allied Group, Mr Pistillo (I). Mr Pistillo urged that all those migrant workers who had been struck off electoral registers be automatically reinstated.

In his reply, the British Under-Secretary of State, Mr Tomlinson, took a cautious line. He suggested that the Member States settle the problems of electoral legislation through bilateral agreements. Any attempt to impose further obligations on the Member States before the election date of 1978 would not be helpful at this juncture.

Energy

Debate on request concerning the freezing of research appropriations—link between the JRC and JET (15 June)

2.3.5. Mr Brunner for the Commission and all the speakers unanimously held that approval of budget appropriations for 1977 for the JRC's research programme and the question of where to site the JET project were entirely separate matters.

Bull. EC 9-1976, points 2501 to 2502.

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Mrs Walz (C-D/D) complained to the British Council President, Mr Tomlinson, that a single government (the United Kingdom's) was blocking release of part (25 300 000 u.a.) of the appropriation provided under the Community's 1977 budget for the JRC's research programme. It had still not lifted its reservation of 29 March (the British Minister had agreed only subject to confirmation). This blatant misuse of the Council's *ad referendum* procedure and the continuing failure to reach agreement on the site for JET were most scathingly condemned by Mrs Walz, who is Chairman of the Committee on Energy and Research.

She was supported by the spokeman for the Socialist Group, Mr Flämig (D), who pointed to the importance and topical interest of the objectives of the research programme (reactor safety, waste disposal, solar energy, environmental protection etc.).

The Member of the Commission responsible, Mr Brunner, commented that alleged national interests should not be invoked on matters which are totally unconnected with such interests. Anyone who did so was harming the Community and, through the inevitable ensuing loss of authority for the responsible organ, himself as well.

But the Council President, Mr Tomlinson contended that some of the items on the programme, which concerned nuclear fusion, did in fact show that the JRC research programme and JET were connected. Conflicting opinions on the JET project must therefore first of all be resolved. Mr Tomlinson, however, entertained no doubts about the urgent need for long-term energy research in the interest of security of supply.

Solar energy (16 June)

2.3.6. Mr Noè (C-D/I), the rapporteur on the various research projects concerning the use of solar energy, called for closer coordination of

these activities which were now running along five parallel lines. He could see scope for practical applications in the short-term, especially for space-heating. The governments were urged to set a good example and make use of solar energy in public buildings. Mr Noè went on to warn against the illusion that in the foreseeable future solar energy could render other sources of energy, such as nuclear fission, superfluous. But in a strategy for replacing oil, all alternative sources must be considered. The House approved the resolution motion tabled by the Committee on Energy and Research.

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Internal market

European Cooperation Grouping (14 June)

2.3.7. Parliament was in broad agreement with the Commission's proposal to establish a legal instrument for trans-frontier cooperation, especially among small and medium-sized undertakings, in the form of European Cooperation Groupings (ECG).

All in all the House considered that the new legal instrument was a suitable one to create conditions similar to those on a domestic market, provided that it was not improperly used and that it safeguarded the social rights of those concerned.

On this basis, Parliament tried to clarify the proposed Regulation in respect of the head office of Groupings, the admissible size of affiliated companies and the protection of workers' interests. The House considered that a Grouping may not have more than 500 employees. The head office, as stipulated in the contract forming the Grouping, must be in the country in which the Grouping is established. Parliament insisted that a clause be included on negotiating and applying a social plan to protect the interests of workers if a Grouping was wound up. It also wanted consultations with the workers' representatives when

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a Grouping was formed; it should also be possible to call on arbitration whenever disputes arose.

Mr Broeksz (S/NL), representing the rapporteur, Mr Lautenschlager (S/D) who is no longer a member of the House, called for these clarifications in the course of the debate. A proposal to fix a maximum admissible company capital, which Mr Broeksz also wanted, failed to obtain the necessary majority.

Deputizing for the responsible Member of the Commission, Mr Brunner, Vice-President Vredeling assured the House at the end of the debate that he could see no problems in falling in with Parliament's desired amendments.

Free movement of goods: stoppages on the Brenner Pass (16 June)

2.3.8. Harking back to its debate in April, which had brought up the problems of effective freedom of movement of goods and materials within the Community,¹ Parliament found that progress achieved towards integration was alarmingly being jeopardized at the Community's internal frontiers. The June debate was again prompted by the difficulties besetting road haulage operations between the north and south of market. the common On the Brenner Pass-crossed daily by up to 2 000 lorries, which carried about 60 to 70% of all the freight between Germany and Italy—waiting times of up to three days were by no means uncommon. The additional costs incurred made it unprofitable for many Italian firms to take advantage of low-cost supplies from the north of the Community.

In an interim report for the Committee on Economic and Monetary Affairs, Mr Nyborg (*EPD*/DK) pressed for a revision of bilateral administrative agreements—which ran counter to the spirit of the EEC Treaty—harmonized working hours for national customs offices and a progressive customs administration structure. In reply to this report, Mr Vouel, Member of the Commission, explained that the problem on the Brenner was a combination of weather conditions, infrastructure difficulties and a shortage of customs personnel. Following the last talks between the Commission and the Italian Government, customs formalities at the Brenner had been speeded up, and in recent months the waiting times for lorries had been appreciably reduced. Further progress would be possible if greater use was made of the Community transit system.

Transport policy

Railways (14 June)

2.3.9. Railways have a particular European dimension. Parliament therefore unanimously approved the Commission's proposal for a Regulation to achieve comparability between the accounting systems and annual accounts of railway companies.

Taxation policy

Associated enterprises (14 June)

2.3.10. In addition to the usual bilateral procedures for taxation of associated enterprises, an arbitration procedure should help to obviate double taxation by more than one tax authority. An arbitration commission made up of representatives of the tax authorities and independent persons will deal with contested cases. Parliament approved a relevant Commission proposal for a Directive.

Mr Schwörer (C-D/D) pointed to the need for such steps, however modest, towards harmonization of taxes. Existing bilateral arrangements threatened the unity of the common market.

Bull. EC 4-1977, point 2.3.30.

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More harmonization of taxation could bring home to the people of the Community the practical advantages of a single Community market.

Competition

State aids (16 June)

2.3.11. Mr Normanton (C/UK) and Mr van der Mei (C-D/NL) called on the Commission to provide a list of the aids granted by the Member States and the Community for purposes such as regional development projects or to counter unemployment in certain sectors. Both members could see a serious danger for the Community in the growing tendency of Member States to grant aids for crisis-hit regions or industries, since this could set off a process of disintegration.

For the Liberals, Mr Kofoed (DK), agreed that in certain circumstances selective aids were needed to solve certain problems. But he warned that competition would inevitably be distorted in the long-term. Mr Ellis (S/UK) declared that the pure market economy was a myth. Still, the need for State intervention must always be carefully weighed against the danger of distorting competition.

For the Commission, Mr Vouel vigorously rebutted the charge that it had not adequately coordinated aid measures by individual States and had failed to keep Parliament completely informed. When the Community was founded, an inventory had been made of national aid measures then in effect. This had been regularly brought up to date, since according to the EEC Treaty the Member States were bound to inform the Commission of every new measure. The Commission reported to Parliament every year.

Social affairs

Humanization of work (13 June)

2.3.12. Parliament held a searching debate on the Commission's Communication on reform of

the organization of work-better known as the 'humanization of work'. The rapporteur, Mr Meintz (L/L) said that an improvement in working conditions in modern industrial societies like the Community could be achieved only by legally binding standards. He therefore considered the Commission's Communication to be unsatisfactory since it bound nobody. But he praised the work of the European Institute for the Improvement of Living and Working Conditions in Dublin, which in view of the enormous tasks confronting it, had to be given more funds and staff. In the Resolution, the House asked the Commission to compile a summary of experiments carried out by companies so far with a view to preparing concrete proposals. The trade unions should be encouraged to take an active part. Parliament felt that a reform of the organization of work along more humanitarian lines was consistent both with the desire for optimum efficiency and productivity and the desire to reduce unemployment. For the Socialist Group, Lord Murray (UK) said that shorter working hours or longer holidays would already help to improve working conditions and enhance safety at work. Mr Wawrzik (C-D/D) called for an end to empty talk about humanizing work. The practical approaches worked out so far threatened to get submerged.

Mr Cousté (*EPD*/F) called for more support for the efforts of small and medium-sized firms, where, because the social aspect was more clearly discernible, working conditions were more human than in big companies.

Mrs Kellett-Bowman (C/UK) insisted that the Dublin Institute should adopt a more practical approach and put more emphasis on pilot projects. Mr Ellis (S/UK), on the other hand, stressed that simply to improve working conditions in practice would not achieve very much. It would be far better to see that the workers had more freedom of decision, since this was the only way to make work fulfilling again.

Answering criticism that the Commission's Communication was not binding enough, Vice-Presi-

dent Vredeling pointed out that the Member States' governments were not any further ahead in this field. He urged members to take the initiative in their national parliaments.

Safety of foreign workers (13 June)

2.3.13. On the same subject of humanization of work a number of Communist members, namely Mr Masullo, Mr Pistillo, Mrs Squarcialupi and Mr Veronesi (all I) and Mrs Goutmann (F) called for specific measures to improve safety, particularly for foreign workers. They stressed that many accidents at work among this category were due to difficulties of a psychological or purely linguistic nature and to the different safety rules and supervisory bodies in individual countries. In his answer, Mr Vredeling, the Commission Vice-President, referred to the Community social action programme and announced that in the autumn the Commission would present an action programme on safety and health at work.

More protection for workers exposed to vinyl chloride monomer (13 June)

2.3.14. Vinyl chloride monomer (VCM) is a gaseous substance which is given off in the manufacture of today's most commonly used plastic, PVC. Its toxic effects range from symptoms of narcosis to cancer of the liver.

In its opinion on this proposal,¹ the House urged the Commission to work out a Community reference method in order to check the VCM measuring systems.

The House asked that the admissible maximum concentration in VCM/PVC plants should be lowered to 1 ppm (as against the Commission's recommended 5 ppm), since it was now already technically possible to get it down to zero.

Illegal work at home (13 June)

2.3.15. Mrs Squarcialupi (COM/I) brought up the problem of people who worked at home, were not registered and had no social security. This illegal practice was spreading. It was mostly to be found among the socially weaker categories such as women and recently to a greater extent among young people. Because they worked in isolation-people working for the same employer were very often strangers to one another-it was hard for them to resist being exploited. Mrs Squarcialupi highlighted the fact that this illicit activity also hampered technical progress, since the firms concerned met the challenge of cheaper goods from cheap labour countries not with technical improvements but simply by cutting their own labour costs.

Mr Vandewiele (C-D/B) felt that not all home industry was to be considered altogether a bad thing—he quoted the example of the South Tirol wood carvers—and that some distinctions therefore had to be made. Mr Vredeling agreed and pointed out that investigations were extremely difficult precisely because the work was illegal and unregistered. In Italy this phenomenon had spread to an alarming extent, where already 4.2% of the active population were working at home.

Tripartite Conference (13 June)

2.3.16. In a unanimously adopted Resolution, Parliament expected more than just verbal agreement from the Tripartite Conference at the end of June between workers, employers and the Community governments. All the interested parties must now do their utmost to invest the tripartite discussions with a more binding character so that a Community employment policy might be brought into being in the foreseeable future.

¹ OJ C 291 of 10.12.1976.

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Parliament would be sending representatives as observers, who would if necessary draw up a special report on the results.

Vice-President Vredeling said that the Conference was an advisory body. The aim so far had been to create a forum for discussion between the interested parties in which the Commission could only act as an interface.

Environment and consumer protection

Bird protection (14 June)

2.3.17. The hunting of birds with snares, lime twigs, nets and traps will in future be prohibited throughout the Community. Parliament unanimously welcomed the Commission's proposal for a Directive and urged the Council to approve it and put it into effect by the autumn.

The rapporteur, Mr Jahn (C-D/D), who said this was the Community's first serious attempt at bird protection, emphasized the special role of birds in preserving the biological balance of the environment. In keeping down the insects and as bio-indicators for a clean environment, they performed indispensible services for mankind.

Admittedly, the Commission's proposed Directive on bird conservation contained regrettable loopholes in the form of special rules for hunting; nevertheless after a grim struggle and heated debates, it was for him a hard-won and all in all satisfying compromise.

In the Resolution, the House mentioned the special supervisory function of the Commission in implementing the Directive and ensuring compliance with its conditions.

Parliament held that it was not sufficient to implement the provisions of the Directive solely in the territory of the Community.

Measures to promote bird protection must be taken on a worldwide basis and the Commission was accordingly urged to approach non-member countries with this in mind. Mr Burke, Member of the Commission, said that this assignment for the Commission now had better prospects of success since in future the Community would have its own legal instrument for the protection of birds, which could serve as a basis and model for any negotiations involved.

Community fire protection standards (14 June)

2.3.18. The two hotel fires in Amsterdam and Brussels in May have prompted fears that safety regulations in the Community vary considerably from one country to another. Several members, including Mr Spicer (C/UK), asked the Commission whether, on their travels in the Community, the citizens should not be able to count on finding minimum fire protection and safety standards in hotels.

Vice-President Vredeling was unable to confirm this as he spoke of the plethora of different standards applied by local authorities, insurance companies and scientific institutes etc. The Commission was working on the harmonization of national regulations.

Sewage sludge (17 June)

2.3.19. Parliament endorsed the Commission's proposal for a research programme in the field of treatment and use of sewage sludge.¹

¹ Bull. EC 1-1977, point 2.1.34.

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Budget

Parliament's budget; amendments for 1977 and estimates for 1978 (16 June)

2.3.20. In a joint debate Parliament reviewed amendments to its expenditure for 1977 and its estimated expenditure for 1978, the direct-election year.

The rapporteur, Mr Cointat (*EPD*/F) pointed out that expenditure had been raised by the Council's decision of December 1976 to incorporate the weightings into official's salaries. But at the same time revenue had increased as a result of the increase in the Community tax, which meant there was no change in the balance between revenue and expenditure.

Since Parliament would have 410 members after the direct elections, it could not yet be foreseen exactly what the new House would be called upon to do. A comprehensive supplementary and amending budget was therefore certainly to be expected for 1978, which would take account of actual needs. The estimates for 1978 amount to 86 500 000 EUA. Both sets of estimates were unanimously approved.

Budgetary procedure (15 June)

2.3.21. Parliament held that the substance and function of the Community budget and the relevant procedures must be constantly adjusted to changing political and financial circumstances in the Community. The House endorsed the conclusions of an *ad hoc* working group of the Committee on Budgets. The group's recommendations concerned the rationalization and development of the lending and borrowing policy to be authorized and supervised by the budgetary authorities, the timely consultation of Parliament on the financial effects of cooperation agreements (which, representing non-compulsory expendi-

ture, fall within Parliament's budgetary rights), and the opening of new lines for commitment authorizations; supplementary budgets should in future be used only in exceptional cases and the budget structure should be improved. The working group consisted of the present rapporteur on budgets, Mr Shaw and the rapporteurs for past years, Mr Aigner, Mr Lange, Mr Cointat and Lord Bruce of Donington.

Own resources (16 June)

2.3.22. Complete application of the system of financial autonomy and Community own resources as from 1 January 1978, necessitated a revision of the Regulation implementing the Council Decision of 21 April 1970 on the replacement of financial contributions from Member States by the Community's own resources. The House approved the Commission's proposal for a new Regulation.¹

Carry-over of appropriations (16 June)

2.3.23. Parliament felt that it was both legally and politically reprehensible for the Council to take over the powers of implementing the budget, which the Treaty conferred on the Commission. The Council's lateness not only in establishing the general frameworks of policies but also in implementing those policies case by case frequently necessitated the carry-over of noncommitted budget appropriations from one financial year to the next. In the Resolution, Parliament stressed that this procedure of 'non-automatic carry-overs' should be abolished.

So, with little enthusiasm, the House approved the carry-overs requested by the Commission, which stand as authorized if, within a month of

¹ Bull. EC 4-1977, point 2.3.80.

Parliament's opinion, the Council takes no decision to the contrary. This is an initial list of nonautomatic carry-overs from 1976 to 1977. The House reserved the right to look more closely into the management of carried-over appropriations during the discharge procedure.

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Sec. Conto

External relations

EEC-Greece: Second Financial Protocol approved (15 June)

2.3.24. The Second Financial Protocol under the Association Agreement between the Community and Greece was signed in Brussels on 28 February.¹ The total amount involved is 280 million u.a. Parliament approved the conclusion of this Protocol.

Export aid systems (15 June)

2.3.25. Disparities between national export aid systems could lead to distortion of competition and ultimately harm the whole Community. Parliament criticized the Commission for failing to press the Council to approve the proposals on harmonizing export aids, which were presented in 1973 and which now need to be brought up to date. Referring to the Community's responsibility in commercial policy, the rapporteur, Mr Cousté (EPD/F), strongly opposed any further spread of national export aids.

The House spelt out what it wanted to see in a resubmitted proposal: further limitation of the economic sectors excluded by the Council Decision of 14 March 1977² (the 'gentlemen's agreement'). tighter provisions concerning mixed financing, and minimum interest rates and credit duration. Derogations should be authorized only by a majority decision.

Euro-Arab Parliamentary Association (15 June)

2.3.26. Would the Commission subsidize the Parliamentary Association for Euro-Arab Cooperation? This question was asked by Mrs Dunwoody (S/UK), who thought that the Association, which was arranging to meet in Luxembourg at the end of June, was nothing more or less than an organ for Arab publicity which, with its unjustified attacks on Israel, was in contradiction with the Community's Middle East policy. Mr Mitchell (S/UK) took an altogether different view, saying that the Association was working for closer cooperation between Europe and the Arab States and was therefore well worth subsidizing.

Vice-President Haferkamp explained that the Commission gave financial support only to bodies whose aims and programmes were known to it. The granting of subsidies to such bodies was not however to be taken as a Commission assessment of the value of their activities. Every application was vetted individually and in this particular case no decision had so far been reached.

To supplementary questions from Mr Fellermaier (S/D) and Mr Blumenfeld (C-D/D) as to whether Parliament rather than the Commission was not the one to decide whether a European Parliamentary Association was worth subsidizing, Mr Haferkamp assured the House that he would convey to the Commission Parliament's request that the decision be suspended for the time being.

Agriculture

Aid to producers for the 1976 hop harvest (17 June)

2.3.27. The situation on the hop market is one of continuing overproduction as a result of the

Bull. EC 2-1977, point 2.2.31. Bull. EC 3-1977, point 2.2.22.

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favourable producer prices a few years ago, a decline in demand and mounting production costs. To ensure reasonable incomes for the producers, the Community is planning to grant area-based aid for last year's harvest.

Parliament agreed with this and endorsed the recommendation of the rapporteur, Mr Früh (C-D/D), represented by Mr Hansen (S/L). Although Mr Lange (S/D) strongly protested that for lack of time the Committee on Budgets had not an opportunity to consider the Commission's proposal, the majority of the House rejected his request to have it referred back to the Committee.

Mr Vouel, Member of the Commission, pointed out that on legal grounds it was essential that Parliament should not defer this matter until July, otherwise, as Mr Broeksz (S/NL) feared, the hop producers would be victims since the Community would have broken its promise to them. The House approved the Commission's proposal.

Fisheries

Licences for vessels of non-Community countries (17 June)

2.3.28. On the recommendation of the rapporteur, Mr Hughes (S/UK), Parliament approved the system proposed by the Commission for granting licences to vessels of non-Community countries which wished to fish in the Community's 200-mile zone.

Parliament held that such a regime was absolutely necessary if the catch quotas allocated under outline agreements with non-member countries were to be effectively monitored. But in contrast to the proposal, Parliament felt that a fee should be charged for such licences, which, as Mr Klepsch (C-D/D) pointed out, should cover only the administrative costs, so as not to give non-member countries any excuse for demanding unduly expensive licences of Community vessels. The Member States were earnestly requested to establish immediately the closest possible cooperation between their sea and air patrols responsible for the Community fishing zone.

The House referred to the responsible Committee three amendments tabled by the Liberals and Christian Democrats, which suggested that Community patrol ships and planes should also carry a Community emblem to identify them more clearly and that fines paid by the captains of ships caught illegally fishing should be considered as Community own resources.

Institutional matters

Recruitment policy of the Community institutions (14 June)

2.3.29. In a question to the Commission and the Council, Mr Hughes (S/UK) and four other British members called for a broad geographical balance of proportions between Community officials of different nationality. To explain their dissatisfaction with the present distribution of posts, they quoted detailed figures which showed that the three new Member States were distinctly underrepresented.

Neither the Council President, Mr Tomlinson, nor the Member of the Commission, Mr Tugendhat—both, like the questioners, of British nationality—contested that the British were underrepresented, but Mr Tomlinson did point out that statistics could be deceptive. For instance, the small number of English-speaking secretaries with British or Irish passports could to some extent be explained by the fact after marrying a man of different nationality, they no longer appeared in Community statistics with their original nationality.

Mr Tugendhat explained that a geographical balance had been more nearly reached in the top grades, but it had proved extremely difficult if

not altogether impossible to engage nationals from the new Member States for the lower ones. There was also a higher turnover among officials from those countries, as the numbers soon leaving the service or taking leave on personal grounds were above the general average. According to the Staff Regulations, the Community institutions were normally required to respect a geographical balance when recruiting, but this must not degenerate into a geographical sharing out or the setting aside of quotas of posts for certain nationalities. The first criterion in selecting applicants must be quality not nationality.

The need for geographical balance in all grades was also emphasized by Mr Albers (C-D/D) who added that officials should show political neutrality. Reminding the House that Greenland was also a member of the Community but that so far the Community had managed to recruit only one Greenlander, Mr Nyborg (EPD/DK) warned against exaggerating the problem. He wanted to see the Community recruit not British, Belgian or French nationals, but Europeans.

Council

2.3.30. The European Council met in London on 29 and 30 June for its second meeting of the year.

The Council held nine meetings in June on the environment, energy, development cooperation, economic and financial affairs, agriculture, foreign affairs, fisheries, social affairs and transport.

European Council

(London, 29 and 30 June)

2.3.31. President: Mr Callaghan, Prime Minister of the United Kingdom.

From the Commission: Mr Jenkins, President, and Mr Ortoli, Vice-President.

The following topics were covered:

— the Community's economic and social problems. A statement on economic growth, inflation and employment was published after the meeting;¹

— the Middle-East. A statement was also published;²

- location of the JET;
- enlargement;
- problems connected with détente;

- Europe's relations with the rest of the world and Africa in particular;

- direct elections to the European Parliament;
- the organization of future European Councils.
- A statement was published.³

454th meeting — Environment (Luxembourg, 14 June)

2.3.32. President: Mr Shore, United Kingdom Secretary of State for the Environment.

From the Commission: Mr Natali, Vice-President.

Toxic and dangerous waste: The Council reached a consensus on the main aspects of the Directive on toxic and dangerous waste.⁴

Quality of water for human consumption: The Council conducted a detailed examination of the proposal for a Directive relating to the quality of water for human consumption.⁵

Quality of surface freshwater: The Council approved the substance of a Decision establishing a common procedure for the exchange of information on the quality of surface freshwater in the Community.⁶

Wood pulp industry: The Council held an exchange of views, without coming to any agree-

Point 1.1.12.

Point 2.2.3. Point 2.3.1.

Point 2.3.1.

⁵ Point 2.1.68.

Point 2.1.69.

Council

ment, on the proposal for a Directive on the reduction of water pollution caused by wood pulp mills in the Member States.¹

Titanium dioxide industry: A wide consensus was reached on the broad lines of the Directive on waste from the titanium dioxide industry.²

Helsinki Convention: The Council agreed to the principle of opening negotiations for the accession of the EEC to the Helsinki Convention on the protection of the marine environment of the Baltic Sea area.³

Accidental discharges of hydrocarbons into the sea: Mr Natali, Commission Vice-President, informed the Council of a Commission communicaton on measures for the prevention, control and reduction of pollution caused by accidental discharges of hydrocarbons into the sea.⁴

455th meeting — Energy (Luxembourg, 14 June)

2.3.33. President: Mr Benn, United Kingdom Secretary of State for Energy.

From the Commission: Mr Brunner, Member.

Work programme: The Council took stock of current progress on the various matters of the Council (Energy) work programme for the first half of 1977 and emphasized the advisability of drawing up such a programme for subsequent work.⁵

Nuclear questions: The Council conducted an initial and general policy debate on the various problems arising in connection with the development of nuclear energy.⁶

Coal: The Council's discussions centred on the Commission proposals for the adoption of arrangements for Community financial aid to promote the use of coal for electricity generation⁷ and the financing of cyclical stocks of hard coal, coke and patent fuel.⁷

Refining: The Council held a far-reaching discussion to work out a Community approach to refining problems in the Community.⁸

Protection and promotion of energy investments: The Council noted the Commission communications on the development and protection of energy investments, the minimum guaranteed price for energy produced in the Community and the granting of financial support for projects to exploit alternative energy sources.⁵

Rational use of energy: The Council noted the second series of legislative proposals submitted by the Commission in the context of the Community action programme on the rational use of energy.⁵

Energy consumption: The Council evolved a common guideline for setting a Community target for reducing the consumption of primary forms of energy in the event of difficulties in the supply of crude oil and petroleum products.⁵

456th meeting — Development cooperation (Luxembourg, 16 June)

2.3.34. President: Mrs Hart, United Kingdom Minister for Overseas Development.

From the Commission: Mr Cheysson, Member.

Rural development: The Council held a general discussion on rural development, agriculture and food production in the developing world.⁹

Aid to non-associated developing countries: The Council agreed to continue its discussions, at its next meeting, on the Commission proposal for an outline Regulation implementing the principle of

¹ Point 2.1.68.

Point 2.1.75.

³ Point 2.1.70.

Points 2.1.72 and 2.1.73.

⁵ Point 2.1.120.

Point 2.1.126.

⁷ Point 2.1.124.

Point 2.1.122.

⁹ Point 2.2.12.

financial and technical aid to non-associated developing countries. It also considered that the procedure should be set in motion for use of the estimated appropriation of 45 million u.a. entered under the 1977 budget.¹

Food aid: The Council held an exchange of views, without reaching any conclusions, on the current and future food situation in the developing countries.² Under the 1977 aid programme for milk products, the Council agreed to allocate butter-oil to the United Nations Relief and Works Agency for Palestine Refugees (UN-RWA).²

457th meeting — Economic and financial affairs (Luxembourg, 20 June)

2.3.35. President: Mr Healey, United Kingdom Chancellor of the Exchequer.

From the Commission: Mr Ortoli and Mr Vredeling, Vice-Presidents, Mr Burke and Mr Tugendhat, Members.

Tripartite Conference: The Council held a wideranging exchange of views on the topics to be discussed at the Conference.³

Investment and borrowing in the Community: The Council heard a statement by Mr Ortoli, Commission Vice-President, on investment and borrowing in the Community, the subject of a Communication submitted by the Commission to the European Council for its meeting on 29 and 30 June.⁴

Excise duties on tobacco: The Council failed to reach agreement.⁵

Credit institutions: The Council discussed, without reaching agreement, the proposal for a Directive on the taking-up and pursuit of the business of credit institutions.

458th meeting — Agriculture (Luxembourg, 20 and 21 June)

2.3.36. President: Mr Silkin, United Kingdom Minister of Agriculture, Fisheries and Food.

From the Commission: Mr Gundelach, Vice-President.

Agri-monetary matters: The Council conducted a general discussion on agri-monetary matters. No agreement could be reached on the Commission's proposals for changes in monetary compensatory amounts.⁶

Wine market: The Council took note of the Commission report on foreseeable developments in the planting and replanting of vineyards in the Community. After a discussion on the substance of certain proposed amendments to the basic Regulation, it agreed to amendments to the criteria for applying the aid arrangements for private storage of grape musts and concentrated grape musts, the criteria for embarking on preventive distillation and the criteria concerning the distillation of wines suitable for producing certain potable spirits obtained from wine with a registered designation of origin.⁷

Cereals: The Council adopted the Regulation applying the provisions governing the Guarantee Section of the EAGGF to the French Overseas Departments in respect of cereals.⁸

Milk products: The Council made a detailed examination of the proposal for a Regulation laying down the general rules for the marketing of milk products.⁹

Oilseeds: The Council formally adopted the Regulation fixing the main intervention centres for oilseeds for the 1977/78 marketing year and the derived intervention prices.⁹

- Point 2.2.16.
- ² Point 2.2.15.
- ³ Point 1.1.2.
- ⁴ Point 1.4.2.
- ⁵ Point 2.1.44.
- ⁶ Point 2.1.83.
- ⁷ Point 2.1.88.
- Point 2.1.104.

Point 2.1.85.

459th meeting — Foreign affairs (Luxembourg, 21 June)

2.3.37. President: Dr Owen, United Kingdom Secretary of State for Foreign and Commonwealth Affairs.

From the Commission: Mr Jenkins, President, Mr Ortoli, Vice-President and Mr Brunner, Member.

Fisheries: External aspects: The Council took stock of problems regarding the negotiations under way with a number of non-member countries for the conclusion of framework agreements and the establishment of autonomous Community fisheries arrangements to apply to the vessels of certain non-member countries as from 1 July.¹

Nuclear matters: The Council held a general discussion on certain questions arising for the Community in the nuclear sector, notably concerning the Community and the international nuclear environment, Euratom-Canada relations and Euratom-IAEA relations.²

Uganda: The Council adopted a statement on the violation of human rights in Uganda.³

Mediterranean policy: The Council discussed the Community's Mediterranean policy as a whole.⁴

CMEA: The Council agreed on the terms of the Community's reply to the Chairman of the CMEA Executive Committee.⁵

ASEAN: The Council considered the possibility of strengthening the links between the Community and the ASEAN group of countries.6

First supplementary and amending budget for 1977: The Council established the draft first supplementary and amending budget for 1977.7

460th meeting — Fisheries (Luxembourg, 27 June)

2.3.38. President: Mr Silkin, United Kingdom Minister for Agriculture, Fisheries and Food.

From the Commission: Mr Gundelach, Vice-President.

Internal aspects: The Council held a broad exchange of views on the problems posed by the determination of the arrangements to apply to herring fishing until the end of 1977.⁸

External aspects: The Council extended the autonomous arrangements applicable to vessels flying the flags of certain non-member countries9 and the arrangements introduced with regard to Norway, Iceland and The Faeroes.⁹ It also adopted a Regulation on the fishing possibilities of certain non-member countries off the coasts of French Guiana⁹ and authorized the Commission to open negotiations with Guinea-Bissau, Senegal and Mauritania with a view to the conclusion of framework agreements on fisheries.⁹

461st meeting — Social affairs (Luxembourg, 28 June)

2.3.39. President: Mr Morris, United Kingdom Secretary of State for Wales.

From the Commission: Mr Vredeling, Vice-President.

Education of migrant workers' children: The Council approved the Directive on the education of migrant workers' children.¹⁰

- Point 2.1.94.
- ² Point 2.1.127. ٩. Point 2.2.59.
- 4
- Point 2.2.50. Point 2.2.73. 5
- 6 Point 2.2.71.
- Point 2.3.86.
- ⁸ Point 2.1.93.
- 9 Point 2.2.64.
- 10 Points 2.1.53 and 2.1.149.

Commission

Council

Safety signs at places of work: The Council agreed on the content of the Directive on the provision of safety signs at places of work.¹

European Trade Union Institute: The Council confirmed its interest in the setting-up of the Institute and stressed the importance it attached to trade unions organized at Community level being able to contribute towards European development.²

Reform of the Social Fund: A favourable outlook emerged on the review of the rules on missions and the operation of the Fund.

462nd meeting — Transport (Luxembourg, 28 and 29 June)

2.3.40. President: Mr Rodgers, United Kingdom Minister for Transport.

From the Commission: Mr Burke, Member.

Common transport policy: The Council held an indepth debate on the aims and priorities of the common transport policy.³

Transport of goods by road: The Council continued its examination of the proposal for Directives on the establishment of common rules for certain types of goods transport by road between the Member States.³

Reference tariffs: The Council discussed the proposal for a Regulation on a system of reference tariffs for the carriage of goods by road between Member States.³

Harmonization of social provisions: The Council held a broad exchange of views on the proposal for the harmonization of certain social provisions in the road transport sector and on the related proposals concerning the introduction of tachographs and the implementation of the AETR.³

Maritime transport and civil aviation: After a general discussion on maritime transport and civil aviation, the Council confirmed the agreement on the setting-up of a consultation procedure concerning relations in the field of shipping between the Member States and non-member countries.³

Motor vehicles: The Council adopted a new series of Directives on the approximation of the laws of the Member States relating to motor vehicles.⁴

Agricultural tractors: The Council adopted two Directives on agricultural tractors.⁵

Commission

Activities

2.3.41. The Commission held six meetings in June, mainly concerned with preparations for the London European Council and the Tripartite Conference, the economic and social situation of the Community, the new guidelines for Community regional policy, Community policy on science and technology and the steel industry.

European Council: In preparing for the European Council meeting held in London on 29 and 30 June,⁶ the Commission paid special attention to growth, inflation and unemployment in the Community. Two Communications were presented to the European Council on the subject.⁷

The Commission thought that the Heads of Government should also discuss JET (cornerstone of the Community's controlled thermonuclear fusion programme) on which the relevant ministers had still failed to reach agreement.

¹ Point 2.1.59.

² Point 2.1.56.

³ Point 2.1.111.

⁴ Point 2.1.10.

⁵ Point 2.1.11.

⁶ Point 2.3.31. ⁷ Point 1.1.11.

Commission

Commission

Community action in the labour market: The Commission approved a Communication on future Community measures to encourage employment, particularly of young people and women.¹

This report was sent to the Tripartite Conference and the European Council.

Regional policy: The Commission's proposals and Communication are designed to provide an overall definition of Community regional policy for the years ahead and to set up the instruments reguired. The Commission has made use of the experience gained since 1974 in running the European Regional Fund.²

The objective of Community regional policy will be twofold: to eliminate existing regional disparities and to prevent any further regional imbalance which might be caused by Community policies.

For these purposes the Commission will keep the situation constantly under review and monitor the different regional economic trends. It will also assess the regional consequences of various Community policies and measures, both in order to improve coordination and, if necessary, to counter any negative side-effects. The Community measures and the Member States' regional policies must be closely coordinated. A policy of Community intervention financed by the European Regional Development Fund will bring authority and effectiveness to the whole undertaking.

Steel industry: The Commission adopted the steel production objectives to be recommended for the second half of 1977. The situation is still depressed so it is essential to retain the voluntary restraint arrangements advocated both by the previous and present Commissions at the initiative of Mr Simonet and Mr Davignon.³

The Commission also adopted several technical measures concerned with the administration of the crisis plan.

Science and technology: The Commission approved an important Communication on Community science and technology policy. Drawing on experience gained in formulating the first nonnuclear research programme from 1974 to 1976, the Commission suggests guidelines for action during the period 1977-80.4

Customs union: The Commission adopted a Communication to the Council and Parliament on the state of the customs union. The transitional period for the three new Member States came to an end on 30 June, an appropriate time for the Commission to take stock of the customs union: the application of the common customs tariff and the common customs legislation already in force.

It also discussed what remains to be done and what shortcomings need to be remedied and drew up a short- and medium-term action programme. It also stressed the significance of the customs union to the process of European integration.⁵

Investment and borrowing: The Commission adopted a Communication, in which it develops and details ideas put forward on a number of occasions since it came to office, on the way the Community could help to sustain investment in the Member States by more extensive use of its borrowing capacity.

These views were outlined by Mr Jenkins in his programme-address. The sums raised (guaranteed by the Community budget) would be additional to those raised by the ECSC, Euratom and EIB loans.⁶

'Europe + 30': The Commission endorsed a Communication to the Council on action to be taken on the 'Europe + 30' feasibility study which a team of experts headed by Lord Kennet produced in 1974 and 1975. The study recom-

Point 1.1.11.

² Bull. EC 5-1977, points 1.1.1 to 1.1.9 and Supplement 2/77 Bull. EC.

Point 2.1.15.

⁴ Points 1.3.1 to 1.3.6 and Supplement 3/77 --- Bull. EC. 5

Points 1.2.1 to 1.2.7. Points 1.4.1 and 1.4.2.

Commission

mends a pilot stage in which the Commission would coordinate the forecasting activities of national organizations and the Community's institutions.¹

It also advocates a five-year research programme on forecasting, assessment and methodology in the fields of science and technology.

Meeting with the new President of the Council

2.3.42. At its 22 June meeting, the Commission received Mr Henri Simonet, former Vice-President, who, in his new capacity as Belgian Foreign Minister, will chair the Council from 1 July to 31 December.

The meeting with Mr Simonet, which was followed by a working lunch, provided an opportunity for reviewing the main items on the Council's agenda for the next six months and discussing priorities.

The new President of the Council stressed his desire to work in close association with the Commission. With direct elections to the European Parliament drawing closer, it was vital that the Community's institutions and the Council in particular, demonstrate their effectiveness by taking decisions on the main outstanding issues.

Relations with workers' and employers' organizations

2.3.43. June saw several meetings between the Commission and both sides of industry. A symposium was organized by the European Trade Union Confederation (ETUC) on the future use of nuclear energy.

At information and consultation meetings, the European Committee of Food, Tobacco and Hotel Industry Trade Unions tackled social policy. The ETUC dealt with consumer protection, priorities concerning migrant workers and the working of the Statistical Office. The European Metal Workers' Federation (EMF) was informed of the economic and social situation and prospects in the heavy electromechanical and nuclear plant industry and of the Community data-processing programme.

During prior consultations, the EMF continued preparing its action programme on safety and health protection at work. The ETUC also prepared for consultations, under the Lomé Convention, with the ACP-EC Consultative Assembly's Joint Committee and also dealt with company law and tax harmonization. The group of female union leaders dealt with possibilities for improving cooperation with the European Centre for the Development of Vocational Training in Berlin.

Court of Justice²

New cases

Case 68/77: Firma IFG — Intercontinentale Fleischhandelsgesellschaft mbH and Co. KG, Gross-Gerau v Commission

2.3.44. On 2 June a German company brought an action before the Court of Justice for damages to compensate for the loss it claims to have suffered as a result of the fact that the Commission, when adopting stricter measures with regard to imports of certain beef and veal products, had not provided for transitional measures for contracts concluded prior to that time and had raised a formal bar to the applicant's request for exceptional treatment for its imports for reasons of *force majeure* (floods in Romania had delayed the production of the product to be imported).³

Point 1.3.4.

² For further information, see the texts published by the Court of Justice in the Official Journal and in the Europear Court Reports.

OJ C 158 of 6.7.1977.

Court of Justice

Case 69/77: Commission v Italian Republic

1

2.3.45. On 3 June the Commission brought an action before the Court of Justice to establish that Italy has failed to fulfil its obligations under Directives 74/150, 74/151, 74/152, 74/346 and 74/347 on the approximation of the laws of Member States on wheeled agricultural or forestry tractors.¹

Case 70/77: SpA Simmenthal v Ministero delle Finanze

2.3.46. In hearing an action concerning the collection by the Italian authorities of a fee for health inspections carried out on bovine animals and beef and veal imported from third countries. the Pretore d'Alessandria asked the Court of Justice on 6 June for a ruling on whether such a fee constitutes a charge having equivalent effect to a customs duty and whether Directive 72/426/EEC on health and veterinary inspection problems on importation of animals and meat from third countries² authorizes the reintroduction of fees for health inspections. In case the reply to the latter question is in the affirmative, the Pretore raises the question of the validity of the said Directive.³

Case 71/77 — Commission official v Commission

2.3.47. By its judgment in Case 53/72,⁴ the Court annulled the Commission's rejection of the applicant's request to be allowed to resume his scientific work and experiments. Faced with the Commission's delay in taking action thereon, the applicant, who has in the meantime been transferred to another post, brought another action before the Court on 9 June to annul the Commission's implicit rejection of his complaint in this connection, and to contest the absence from his personal file of certain reports.³

Case 72/77 — Universiteitskliniek voor Hart- en Vaatchirurgie van het Academische Ziekenhuis, Utrecht v Inspecteur der Invoerrechten en Accijnzen, Utrecht

2.3.48. In hearing an action relating to the importation of a spectrophotometer in respect of which the Netherlands customs authorities had refused to grant exemption from customs duties, the Tariefcommissie asked the Court of Justice on 13 June for a preliminary ruling on whether the decision to allow the importation free of customs duties of objects of a scientific nature, provided for by Article 3 of Regulation (EEC) No 1798/75,⁵ could depend on a subjective criterion.³

Case 73/77 — T.E. Sanders, Arnhem, v R. van der Putte, Noordwijkerhout

2.3.49. In an action between a Dutch lessee of a commercial property situated in Germany and the lessor, also Dutch, who is himself leasing the shop from a third party, in connection with the terms of the leasing contract for the business, the Hoge Raad der Nederlanden asked the Court of Justice on 15 June for a preliminary ruling on, amongst other things, the interpretation of the concept of 'leasing of real property' in Article 16(1) of the Convention on jurisdiction and the enforcement of judgments in civil and commercial matters, 6 and on whether the exclusive jurisdiction of the courts of the State in which the real property is situated applies to the various points of this contract, namely the leasing of the business, the rent for the shop and payment of an indemnity for the commercial property.

- ⁴ Bull. EC 7/8-1974, point 2447.
- ⁵ OJ L 184 of 15.7.1975. ⁶ OJ L 299 of 31.12.1972.

¹ OJ L 84 of 28.3.1974; OJ L 191 of 15.7.1974; OJ C 158 of 6.7.1977.

² OJ L 302 of 31.12.1972.

³ OJ C 158 of 6.7.1977.

Court of Justice

Case 74/77 — Commission official v Parliament

2.3.50. The object of this action, which was brought on 29 June, is to annul the Parliament's decision not to admit the applicant to a competition.

Case 75/77 — Commission official v Commission

2.3.51. The applicant, who was included on a reserve list for recruitment as a memeber of auxiliary staff, was removed from the list on the grounds that she lacked the requisite physical aptitude. On 29 June she brought an action to annul the implicit decision rejecting her complaint. This action was accompanied by a claim for damages.

Case 76/77 — Auditeur du travail, Charleroi, v Bernard Dufour, Creyf's Interim & Creyf's International

2.3.52. Criminal proceedings against a hirer-out of labour and a firm which had hired from him the services of a driver had been brought before the Tribunal du travail in Charleroi. The individual control book laid down by Regulation (EEC) No 543/691 had not been issued to the driver and in order to establish who is responsible for issuing it, the Tribunal asked the Court of Justice on 30 June for a number of preliminary rulings on the interpretation of the word 'undertaking' in the said Regulation.

Judgments

Case 73/76 — Commission official v Commission

2.3.53. On 23 July a Commission official brought an action before the Court to annul the decision of the Commission refusing him admission as a candidate for an internal competition.

This action follows another case² in which the Court annulled the Selection Board's decision refusing him admission to the competition for lack of sufficient grounds.3

In its judgment of 14 June, the Court dismissed this action.

Case 90/76 — Srl H. Van Ameyde v Srl Ufficio centrale italiano di assistenza assicurativa automobilisti in circolazione internazionale (UCI), Milan

2.3.54. In hearing an action between a 'loss adjuster' (undertaking specializing in the settlement of road accident claims on behalf of insurers) and the Italian central bureau for insurance in respect of the use of motor vehicles (whose members are insurance companies authorized to provide insurance against civil liability in respect of the use of motor vehicles) concerning the refusal of the latter to authorize the applicant to settle claims arising from accidents caused by vehicles insured in other countries, the Tribunale civile e penale di Milano asked the Court of Justice on 27 September 1976 for a number of preliminary rulings.⁴

These references concerned the compatibility with the rules of the EEC Treaty on competition, freedom of establishment and freedom to provide services of firstly, the so-called green card system (aimed at facilitating international road traffic) and, secondly, the actions of any particular national insurance bureau.

In its judgment of 9 June the Court acknowledged substantially:

(a) that the so-called green card system is compatible with the EEC Treaty;

(b) that these actions of national bureaux whose object or effect is to exclude loss adjusters could

OJ L 77 of 29.3.1969.

Case 31/75; Bull. EC 12-1975, point 2436. Bull. EC 7/8-1976, point 2459. 2

⁴ Bull. EC 9-1976, point 2433.

fall under the prohibition contained in the EEC Treaty provisions on competition.¹

Case 97/76 — Kommanditgesellschaft in Firma Merkur Aussenhandel GmbH & Co., Hamburg, v Commission

2.3.55. As a result of the Commission's adopting Regulation (EEC) No 1497/76 on the application of accession compensatory amounts and monetary compensatory amounts for certain cereal-based compound feedingstuffs,² a claim for damages was brought against it on 8 October 1976 by a German company exporting feedingstuffs. This company is claiming compensation for the loss it claims to have suffered as a result of the fact that the transitional period laid down by the Regulation was not sufficiently long for it to perform its current contracts concerning exports to the new Member States of sweetened tapioca, a product in respect of which it had received an official tariff classification opinion (verbindtiche Zolltarifauskunft).³

The Court dismissed this action in its judgment of 8 June.¹

Case 109/76 — Mrs M. Blottner, née Krolczyk, Berlin v Bestuur der Nieuwe Algemene Bedrijfsvereniging, Amsterdam

2.3.56. On 22 November 1976 the Raad van Beroep, Amsterdam, asked the Court of Justice for a preliminary ruling interpreting certain provisions relating to entitlement to invalidity benefits contained in Regulation (EEC) No 1408/71⁴ on the application of social security schemes to employed persons and their families moving within the Community.⁵

In its judgment of 9 June the Court ruled that, in principle, entitlement to benefits pursuant to Article 40 of this Regulation granted by the institution of a Member State within the meaning of the first part of paragraph 3 of Article 45 extends to any worker who, at the time when the risk insured materializes, is subject to the legislation of another Member State or, if this is not the case, can establish a claim to benefits under the legislation of another Member State and can provide evidence of periods of employment and/or periods treated as such completed under a legislation which was in force at the time when the worker carried out his employment but ceased to be in force before the adoption of the said Regulation, even where such legislation was of a different type from that in force at the time when the risk materializes.¹

Case 118/76 — Balkan Import Export GmbH, Berlin, v Hauptzollamt Berlin Packhof

2.3.57. The Berlin Finance Court asked the Court of Justice on 15 December 1976 for a preliminary ruling on the extent to which national customs authorities are authorized to deal with applications for exemption from Community taxes, in this case monetary compensatory amounts, 'on grounds of equity' peculiar to national law.6

In its judgment of 28 June the Court ruled that a national customs authority is not authorized to apply to such applications the provisions of its national law in so far as the application of such provisions would prejudice the effect of Community rules relating to the basis of assessment, conditions of imposition or the amount of the charge in question. The Court added that there is no legal basis under Community law permitting a remission of monetary amounts on grounds of equity.

OJ L 167 of 26.6.1976. Bull. EC 10-1976, point 2447. 3

¹ OJ C 158 of 6.7.1977.

⁴

OJ L 149 of 5.7.1971. 5

Bull. EC 11-1976, point 2444. 6 Bull. EC 12-1976, point 2439.

Case 3/77 — Razanatsimba

2.3.58. The Conseil de l'Ordre des avocats at the Lille Bar asked the Court of Justice on 6 January to interpret Article 62 of the Lomé Convention¹ as regards the freedom of establishment of a national of an ACP State to pursue the profession of lawyer in the territory of a Member State.²

The reference was contested before the Douai Court of Appeal by the Procureur Général on the ground that, as the Conseil de l'Ordre was acting in an administrative rather than a judicial capacity, it could not refer a question to the Court of Justice for a preliminary ruling.³

Since the Douai Court of Appeal had annulled the decision of the Conseil de l'Ordre to refer the case, it was removed from the register of the Court by Order of 15 June.

Case 11/77 — R.H. Patrick, Saint-Germain-en-Laye v French Minister for Cultural Affairs

2.3.59. The tribunal administratif of Paris asked the Court of Justice on 25 January for a preliminary ruling on whether, in 1973, a British national was entitled to invoke for his own benefit a right of establishment to pursue in France the profession of architect given that he possesses a qualification equivalent to that required of French architects and that there is a diplomatic convention between France and the United Kingdom laying down conditions of reciprocity.⁴

In its judgment of 28 June the Court ruled that as from 1 January 1973 a national of a new Member State who proves that he holds a qualification recognized by the competent authorities of the Member State of establishment as equivalent to that awarded and required in that State has the right of access to the profession of architect and the right to exercise that profession under the same conditions as nationals of the Member State of establishment, and cannot have additional conditions imposed upon him. Case 24/77 — Geertje Wahl, Hellenthal v Land Nordrhein-Westfalen, represented by the Schulart, Kreis Euskirchen, Euskirchen

2.3.60. A teacher of Dutch nationality who holds a Dutch diploma and who was employed in a school in Germany was dismissed on the grounds that her training was incomplete under German law.

When hearing this case the Bonn Arbeitsgericht asked the Court of Justice on 18 February to give a preliminary ruling on the mutual recognition of diplomas and on the compatibility of the grounds for dismissal with the principle of freedom of movement of persons.⁵

Since the Bonn Arbeitsgericht had annulled its decision to refer the case, it was removed from the register of the Court by Order of 24 June.

Economic and Social Committee

150th plenary session

(Brussels, 22 and 23 June)

Opinions

Economic situation of the Community

2.3.61. The main aim of this Opinion, adopted by 67 votes to 4 with 22 abstentions, is to establish to what extent the economic policy measures taken or planned at Community level and in the Member States since the autumn of 1976 correspond to the recommendations made by the

¹ OJ L 25 of 30.1.1976.

² Bull. EC 1-1977, point 2.3.24.

³ Bull. EC 5-1977, point 2.3.56.

⁴ Bull. EC 1-1977, point 2.3.31.

⁵ Bull. EC 2-1977, point 2.3.37.

Committee in its Opinion on the Commission's annual report on the economic situation.¹

The Committee expresses the view that the economic situation in the Community has not changed basically since the last Opinion was given and that the prospects for economic development are more or less the same as then.

The Committee therefore reiterates the objectives set out in its previous Opinion—being largely those contained in the final communiqué of the second Tripartite Conference, held in Luxembourg in June 1976.² The Committee also looks at the economic policy measures actually taken both at Community level and at national level since October 1976.

The policy areas on which the Committee focuses attention include:

- (a) at Community level:
- (i) coordination of national economic policies;

(ii) coordination between Social and Regional Funds, the European Investment Bank and agricultural policy;

(iii) coordination of trade policy;

(iv) the stabilization of exchange rates and reduction of balance-of-payments deficits;

(v) the problems of increasing public expenditure and the improving of information and statistics;

(b) at national level:

(i) the stimulation of the economy through public expenditure;

(ii) the promotion of job-creating private investment;

- (iii) special action on employment;
- (iv) prices and incomes policy measures;
- (v) selective monetary and credit policies.

The Committee concludes that since October 1976 measures have been taken, either at Community level or at Member State level, which correspond directly or indirectly to the recommendations made by the Committee. It emphasizes, however, that given the consistently high levels of unemployment and inflation obtaining in the Community, the Community and the Member States must intensify and expand their efforts.

The social situation

2.3.62. This Opinion, adopted by 34 votes to 4 with 113 abstentions, looks first at the international aspects of Community policy in the social sphere and discusses how the Committee can help to achieve a social consensus.

Referring notably to the developments described by the Commission in its Annual Report on the Development of the Social Situation in the Community, the Committee tries to identify what should be the priorities for 1977; at the top of the list comes a more forceful drive against unemployment.

The Committee points out that a more effective campaign against unemployment calls for an appropriate policy and adequate resources to achieve full employment to be applied in full consideration of the principles adopted by the Tripartite Conference in Luxembourg on 24 June,² which linked full and better employment to recovery of stability and growth.

In its appraisal of the battle against unemployment, the Committee dealt with the following points:

(i) the ingredients of a more positive policy on employment;

- (ii) work-sharing;
- (iii) shorter working hours;
- (iv) the problem of moonlighting.

¹ Bull. EC 10-1976, point 2476.

² Bull. EC 6-1976, point 1102.

Economic and Social Committee

The other main social objectives for 1977 include removal of inequalities and improving living and working conditions.

East-West transport

2.2.63. In this unanimously adopted Opinion on transport problems in relations with the Eastern bloc countries, the Committee, on the eve of the follow-up Conference to Helsinki in Belgrade urges the competent Community authorities and the Member States' governments to make every effort at Belgrade to secure greater cooperation from the Eastern bloc countries in respect of transport and to prevent serious damage, disturbance or disruption to the market.

Agricultural incomes

2.3.64. This additional Opinion,¹ unanimously adopted, welcomed the fact that information was now more up to date and of better quality. It regretted, however, that the Commission's report on agricultural incomes did not include details enabling comparisons to be made between farming and non-farming incomes in the various regions.

After discussing the difficulties of evaluating incomes in the Community at macro-economic and micro-economic level, the Committee drew some conclusions on how to gauge such incomes more accurately, the first priority being to standardize methods, concepts and provision of statistics on farming incomes.

Support should therefore be given to the Commission's efforts to expand the FADN (Farm Accountancy Data Network).

Coal stocks

2.3.65. Adopted by 58 votes to 6 with 7 abstentions, this Opinion approved the principle of Community aid for coal and for the system of financial aid for cyclical coal stocks as proposed by the Commission.

The scheme should be closely monitored and, where necessary, corrected, so as to ensure that stocks do not become structural.

Doorstep selling

2.3.66. In this Opinion, adopted by 56 votes to 16 with 15 abstentions, the Committee approved the proposed Directive but would have liked to have seen a licence system introduced for door-to-door salesmen so as to prevent flagrant abuse.

The Committee was against the idea of excluding from the scope of the Directive sales concluded by an intermediary on the basis of a mail-order catalogue. The Committee hoped that mail-order selling carried out solely in writing would be dealt with as soon as possible in a special Directive. The Committee felt that all contracts of 15 EUA and over—rather than 25 EUA as recommended by the Commission—should be covered by the Directive. It also called for house-to-house delivery of foodstuffs to be excluded from the scope of the Directive.

Finally, the Committee considers that the sevenday cooling-off period should apply to insurance contracts negotiated away from business premises as well as to other contracts as proposed. In case of cancellation, however, insurance contracts would continue to be valid up to the first annual due date, and the premium would have to be paid for that year.

Hops

2.3.67. Subject to certain comments, the Committee endorsed the proposed Council Regulation fixing the amount of aid to hop producers for the

Bull. EC 2-1977, point 2.3.56.

1976 harvest. The Opinion was adopted unanimously.

Annual accounts of railway undertakings

2.3.68. In its unanimous Opinion on measures required to put railway accounting systems and annual accounts on a comparable basis, the Committee welcomed the Commission's proposal, since it will help to coordinate national policies on the railways and is a major step towards a possible future integration of the Community's railways.

Equal treatment of men and women

2.3.69. The Committee agrees with the Commission that the differences in the social security treatment of men and women cannot be eliminated by a single statutory instrument. It urges, however, that Council Directives should be adopted as soon as possible on areas which have been either excluded from or left out of the present Directive.

The Committee points out that in the present general employment situation, it is well worth considering a uniform retirement age for both men and women, and urges the Commission to bear this in mind, given the widely divergent national attitudes to the question of lowering retirement age.

The Committee recommended the Commission to have a study made into ways of bringing in independent social security rights for both husband and wife. This is especially important, since the present arrangements in many Member States regarding derived pension rights are outdated.

ECSC Consultative Committee

184th meeting

2.3.70. The ECSC Consultative Committee held its 184th meeting in Luxembourg, with Mr Joe Gormley in the chair.

Report on the Commission's activities in the ECSC field

2.3.71. The Commission representative recalled the decisions taken concerning the steel industry.¹ Mentioning Mr Haferkamp's visit to Japan, he emphasized the agreement between Japan and the Community, which, apart from instituting regular talks, highlights the need to maintain discipline in trade.

On the coal side, production in 1976 fell by 4% to around 223 million tonnes; imports, totalling 42 million tonnes, were higher than in 1975. Estimates for 1977 are as follows:

coal production:	230	million	tonnes,
imports:	46	million	tonnes.

Coal

2.3.72. Consulted on the proposal for a Council Regulation concerning a Community financial aid scheme to finance cyclical stocks of hard coal, coke and patent fuel,² the Committee unanimously confirmed the favourable report compiled by its Subcommittee on General Objectives.

It was regretted that the Council had not agreed to extend until 1985-as proposed by the Commission-the decision concerning coal and coke intended for the Community steel industry. The Committee will come back to this question at a future meeting.

¹ Bull. EC 5-1977, point 2.1.6. ² Bull. EC 3-1977, point 2.1.104.

ECSC Consultative Committee

European Investment Bank

Steel

2.3.73. When the Committee considered the forward steel programme for the second half of 1977-these forecasts used to be made every quarter-the Commission representative pointed out that the general economic situation was not very healthy, since economic activity had picked up too slowly to have any marked effect on the steel industry. It was reckoned, however, that steel consumption could increase by 2 to 3% over the whole year, with exports rising slightly and the upward movement of imports having been halted during the first half of the year. But the steel producers must maintain the discipline they had accepted and resist any premature optimism.

The drop in imports could be attributed to diplomatic approaches to a number of States.

Since the Committee had expressed concern that the forecasts were half-yearly and no longer quarterly, the Commission representative explained that it was planned to review them in September, but a new programme would not necessarily be drawn up.

The Commission's biggest worry was the employment situation. The numbers unemployed and on short time were not all that far below the peak levels of December 1975.

As to the inevitable checks, they were needed more than ever, especially since the introduction of minimum prices, and the Commission would be failing in its duties if it did away with them.

The Commission had done all that was possible to encourage the public authorities to restimulate investment.

Lastly, the Commission representative gave assurances that no new measure would be taken unless the Committee had been fully consulted beforehand; similarly discussions would be organized on structural problems when the new general objectives were set. The Committee agreed that the Commission could go ahead and publish the forward programme.

Social matters

2.3.74. The Committee reviewed the various detailed rules concerning retraining aid and asked whether, without increasing it, the proceeds of the levy might not be used in a different way. The workers' representatives regretted that the efforts to improve aid to workers had not met with success. They felt that action at national level would probably be just as effective.

All the members agreed that, like the European Parliament and the Economic and Social Committee, the Consultative Committee should send a delegation to the Tripartite Conference.

The Committee unanimously adopted a Resolution asking that the coal industry be excluded from the Directive on safety signs and instructions at work and noted with interest the 13th report of the Mines Safety and Health Commission.

Commission financial operations

2.3.75. The conclusion reached in the discussion of the Commission's investment operations in 1976 was that investment to promote housing and create jobs had been inadequate.

European Investment Bank

Meeting of the Board of Governors

2.3.76. Ways in which the European Investment Bank might develop its operations in response to some of the EEC's present economic problems—including measures to increase finance for investment in areas of severe unemployment

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and to assist certain critical industries which are now under exceptional pressure—were considered by the Board of Governors of the EIB, at its annual meeting in Luxembourg on 20 June.

Their discussion follows the meeting of the European Council at Rome on 25 and 26 March at which there was a call for Community action to help to reduce unemployment (particularly amongst the young and women), to encourage a higher level of investment in Member States and to promote a greater degree of convergence in their economic performance.¹

A letter sent to the EIB after the meeting by the current President of the European Council, Mr James Callaghan, asked if the Bank considered that there was scope for a substantial increase in its activities in the next two or three years in furtherance of these aims and, if so, what would be the desirable extent and nature of the increased activity and the financial implications.

Before deciding on the reply to the European Council, the Board of Governors today approved the *EIB's annual report and balance sheet for 1976* which shows that for the first time the Bank's annual financing operations within the Community passed 1 000 million EUA² totalling 1 086 million EUA, of which 820 million EUA went to projects assisting regional development.

This means that since 1970 (338.5 million u.a.), and despite the recession which has hit industrial investment since 1974, the Bank's annual operations have risen more than threefold. Even taking into account the effects of inflation, annual lending has nearly doubled in real terms.

Taking this experience into account, the Governors are positive that a continued increase in activities over the next few years can be achieved and that the Bank can make a significant contribution to the European Council's objectives.

To this end they agreed to take the necessary decisions at their annual meeting in 1978 on the amount and timing of any increase in the Bank's capital which may be needed to support a higher level of lending.

The EIB's main priority will be to develop yet further its principal role under the EEC Treaty, that of providing finance for investments in the Community's more backward regions and for projects which help to regenerate areas suffering from industrial decline.

This already accounts for some three-quarters of Bank operations within member countries (over 2 000 million EUA provided for regional development projects in the last three years alone); in the present circumstances greater emphasis will be given to those areas of special difficulty, where structural unemployment is more severe or where special labour problems have arisen such as from the loss of markets or the decline of staple industries.

The Bank intends to increase support for investment in energy, since the Community's heavy and costly dependence on hydrocarbon imports is a root cause of its present economic troubles. The broad lines of the Bank's operations in this field are already well established; by the end of 1976 total financing for energy projects had amounted to 1 490 million EUA, of which 599 million EUA was for nuclear installations, 433 million EUA for gas and oil pipelines and 259 million EUA for the development of European oil and natural gas deposits.

To enable the Bank to make a more important contribution towards large-scale projects, the size of individual loans has been raised. Where appropriate they may in future be up to 50% of the capital cost of a project (against 40% previously), subject to a ceiling of 80 million EUA (previously 40 million EUA) although for very large projects of Community interest, mounted by several

¹ Bull. EC 3-1977, point 2.1.1.

² The following rates were used for drawing up the balance sheet at 31 December 1976: 1 European unit of account = DM 2.66938, FF 5.61696, \pounds sterling 0.662646, Lit 989.293, FB 40.66, Fl 2.77855, DKr 6.53960, \pounds Ir. 0.662646, Flux 40.66, \$ 1.12999.

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promoters, two or more loans totalling a greater sum could be granted.

For small and medium-scale ventures which, in general terms, create jobs most cheaply, in relation to the capital involved, the Bank would like to give more support by extending the practice of global loans to intermediary bodies at national or regional level, which then on-lend funds to their own clients (in 1976 there were seven such global loans totalling 61.2 million EUA).

The ability of the Bank to increase its operations in the member countries depends to a large extent on the demand for its financing assistance which is influenced not simply by the conditions it can offer but by the investment climate.

Appointments

2.3.77. Following the annual meeting of the Board of Governors Mr Knud Heinesen, the Governor for Denmark, takes over as Chairman of the Board for the period until the end of the next annual meeting.

He directly succeeds Mr Gaston Geens, the Governor for Belgium, although most of the past year's term of office was filled by Mr Geens's predecessor as Minister of Finance for Belgium, Mr Willy De Clercq.

The Chairman of the Bank's Audit Committee for the next year is Mr Patrick L. McDonnell, Secretary and Director of Audit at the Office of the Comptroller and Auditor-General in Dublin. Mr Corneille Bruck, Directeur de l'Inspection Générale des Finances, Luxembourg, has been appointed a Member of the Audit Committee to succeed the immediate past Chairman, Mr Emile Raus, Honorary President of the Council of State, Luxembourg.

Loans granted

Ireland

2.3.78. A loan equivalent to \pounds 10 million (15.3 million EUA) has been granted by the Bank to

help finance a water supply project in Cork; the terms are 15 years at an interest rate of $9\frac{1}{8}$.

The funds, provided to the Irish Government, will be passed on to Cork County Council for various works costing about $\pounds 42.5$ million and forming the first phase of a large supply scheme designed principally to meet the needs of industry around the harbour area.

The project includes water treatment and purification plant, pumping stations, storage reservoirs and pipelines to provide initially 136 000 cubic metres of water per day, which can be doubled when subsequent works are carried out.

The expansion of the Cork harbour area is considered essential for the future development of both Cork City and the entire South-West region of Ireland.

Italy

2.3.79. The Bank has granted two new loans totalling the equivalent of Lit 33 850 million (34 million EUA) to IMI (Istituto Mobiliare Italiano), to help to finance industrial projects in the South of Italy. Both loans are for 10 years, with interest payable at 8.3% p.a.

2.3.80. The bulk of these funds (Lit 30 000 million) is to be made available to Italsider for extending a plate mill and installing anti-pollution equipment in the Taranto iron and steel complex.

The estimated capital cost of the project is put at Lit 84 000 million. It should lead to the creation of an extra 340 jobs (present workforce about 19 500).

This is the fifth loan granted by the EIB since 1961 for construction and extension of the Taranto iron and steel centre, bringing total Bank support for this complex, a key element in the economic development of southern Italy, to a total equivalent of Lit 95 000 million. European Investment Bank

2.3.81. The EIB has also provided a loan of Lit 3 850 million for financing a new plastics packaging factory at Brindisi.

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This project is to be carried out by Pansac Sud, a firm set up recently with the backing of FI.ME (Finanziaria Meridionale), a finance company responsible for promoting small- and medium-scale industrial ventures in the South of Italy.

The cost of the venture is estimated at Lit 8 500 million and it should provide about 120 new jobs.

United Kingdom

2.3.82. A loan totalling the equivalent of $\pounds 6.2$ million (9.5 million EUA) has been granted to the National Water Council (NWC).

The funds—provided for 12 years at an interest rate of 81/4%—will be passed on to the Welsh National Water Authority to help finance various supply projects and sewerage schemes in Gwent, Mid- and South-Glamorgan.

Costing in the region of \pounds 31 million, the works are all situated in areas where new industrial activities are needed to compensate for a decline in employment offered by coalmining and steelmaking.

The loan brings to \pounds 52.5 million the amount provided to the National Water Council by the European Investment Bank for different water supply schemes assisting regional development in the United Kingdom.

It also raises to about \pounds 110 million the funds so far made available by the EIB for investments in Wales, the major part of which has gone towards steel industry projects, improvements to telecommunications and power supplies.

Cameroon

2.3.83. Under the terms of the Lomé Convenion, the Bank has granted a loan for the equivalent of 2 670 000 EUA towards financing construction of a hotel in Douala.

The loan has been made available to Société Hôtelière du Littoral (SOHLI) for a period of 13 years and carries an interest rate of 6.125%, taking into account a 3% interest subsidy provided by the European Development Fund.

SOHLI is a limited company incorporated in Cameroon. Its main shareholders are Société Nationale d'Investissement du Cameroun, the Caisse de Stabilisation des Hydrocarbures and the Caisse Nationale de Prévoyance Sociale. The French Novotel and Texunion groups also have stakes.

The 297-room international class hotel will be built on the edge of the river Wouri near the centre of Douala. It will be run by Novotel.

The overall cost of the project is put at CFAF 2 900 million (10.4 million EUA). It will help to increase hotel capacity in Douala which plays a major part in the development of Cameroon, as the country's economic centre and hub of tourism. The hotel should employ a staff of about 285.

The Caisse Centrale de Coopération Economique is also helping to finance the project through the Cameroon Development Bank.

Togo

2.3.84. Under the terms of the Lomé Convention, the Bank has made available funds totalling 5.4 million EUA (approximately CFAF 1 500 million) to help to finance a palm oil mill and oil storage installations in Togo.

The funds consist of a loan from the EIB's own resources for 2.33 million EUA to Société Nationale pour le Développement de la Palmeraie et des Huileries (SONAPH) and a conditional loan for 3.07 million EUA to the Togolese Government to part-finance an increase in SONAPH's capital.

The loan from the EIB's own resources is for 15 years at an interest rate of 5.85% p.a., after allowing for a 3% interest subsidy provided by the European Development Fund.

The EIB is acting as agent for the European Economic Community in granting the conditional loan which is drawn from a total sum of 95 million EUA set aside under the Convention for various types of risk capital operations to be handled by the Bank. This loan has been granted for 20 years at a rate of interest of 2% p.a.

The Republic of Togo will also provide supporting finance for the project to the extent of CFAF 300 million (about 1.07 million EUA. The total cost of the venture is put at CFAF 2 130 million (some 7.60 million EUA).

The funds will go towards constructing an oil mill with a capacity for processing 20 tonnes of fruit an hour at Agou in the plateau region and oil storage installations at the port of Lomé. The project constitutes the industrial adjunct to selected oil palm plantations established in the Agou region over the 1970 to 1976 period with Community aid provided under the two Yaoundé Conventions and the financial backing of the Togolese Government. The oil mill will employ about 125 people.

A key factor in developing the plateau region, the venture will help industrial expansion in Togc and will both increase and diversify exports; ϵ high proportion of the oil produced by SONAPH will be exported, particularly to neighbouring countries where there is a shortage of oil, a staple ingredient of the local diet.

Financing Community activities

General budget

Preliminary draft budget for 1978

2.3.85. The Preliminary draft general budget o the Community for 1978 adopted by the Com-

		Revenue			
Title	Nature of revenue	Financial year 1978	Financial year 1977		
		EUA	u.ą.		
1	Own resources	11 690 565 545	6 297 841 642		
2	Surpluses available	21 010 937	39 129 353		
3	Portion of proceeds of ECSC levies paid in pursuance of Article 20 of the Treaty of 8 April 1965	5 000 000	18 000 000		
4	Deductions from staff remuneration	91 218 110	63 300 101		
5	Financial contributions ¹	10 725 318	3 159 976 452		
9	Miscellaneous revenue	31 850 893	8 726 680		
		11 850 370 803	9 586 994 20		

Table 2 — Revenue

¹ This revenue represents the Member States' contributions for financing the complementary programmes in the research and investment activities.

Table 3 — Estimate of own resources collected and to be paid by each Member State Financial year 1978

(in	EUA)
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	Agricul	tural levies	Common Customs	W	Tit	
	Sugar levies	Other levies	Tariff duties	Value-added tax	Total	
Belgium	14 700 000	143 000 000	323 000 000	265 935 315	746 635 315	
Denmark	19 100 000	17 000 000	170 000 000	123 033 292	329 133 292	
FR of Germany	120 500 000	291 000 000	1 467 000 000	1 667 444 990	3 545 944 990	
France	105 500 000	71 000 000	740 000 000	1 249 437 469	2 165 937 469	
Ireland	4 400 000	7 000 000	47 000 000	41 265 825	99 665 825	
Italy	43 000 000	317 000 000	485 000 000	792 456 670	1 637 456 670	
Luxembourg	_	100 000	4 000 000	9 170 183	13 270 183	
Netherlands	31 400 000	304 000 000	490 000 000	342 353 508	1 167 753 508	
United Kingdom	23 900 000	147 000 000	1 107 000 000	706 868 293	1 984 768 293	
Total	362 500 000	1 297 100 000	4 833 000 000	5 197 965 545	11 690 565 545	

¹ Tax of 0.7642%; see also Bull. EC 5-1977, point 2.3.83.

mission on 26 May¹ was sent to the Council and Parliament on 14 June.

The estimated revenue and expenditure of the Community is shown in Tables 2 to 5.

First supplementary and amending budget for 1977

2.3.86. At its meeting on 21 June the Council established the draft first supplementary and amending budget for 1977 on the basis of the preliminary draft presented by the Commission on 1 April² and the amending letter sent on 18 May.³

At the present stage it was agreed to separate from this draft budget the section in relation to research appropriations. The Commission's requirements in this area will be covered, where necessary, by other measures, pending a decision on this section of the budget.

The draft first supplementary and amending budget increases the appropriations in the general budget for 1977 by 786 967 339 u.a. Table 6 compares the amounts requested by the Commission in its preliminary draft and those entered by the Council in the draft.

ECSC financial operations

Loans raised

2.3.87. In June the Commission signed a contract for a 50 million bond issue. This loan was underwritten by an international syndicate of banks.

The bonds bear interest at the nominal rate of 9% payable annually for 18 years.

The loan was issued to the public at par.

The bonds of this loan have been admitted to official quotation on the Luxembourg stock exchange.

¹ Bull. EC 5-1977, points 1.4.1 to 1.4.7 and 2.3.81 to 2.3.84.

² Bull. EC 3-1977, point 2.3.92.

³ Bull. EC 5-1977, point 2.3.85.

Table 4 — *Expenditure by institution* Appropriations for commitment

(in EUA)

No. of the officer	Appropriations for 1977		Preliminary draft budget for 1978		Increase	
Institution	Amount	%	Amount	%	1978 over 1977	
Parliament ¹ Council Commission ² Court of Justice Court of Auditors	82 552 000 87 788 000 10 110 707 164 15 380 000 605 000	0.80 0.85 98.19 0.15 0.01	86 115 966 ¹ 96 931 900 2 294 613 608 17 680 920 Token entry	0.69 0.78 98.39 0.14 —	+ 4.36% + 10.42% + 21.59% + 14.96% 	
Total	10 297 002 164	100.—	12 495 342 394	100.—	+21.34%	

Appropriations for payment

Tanthadan	Appropriations for 1977		Preliminary draft budget for 1978		Increase	
Institution	Amount	%	Amount	%	1978 over 1977	
Parliament ¹ Council Commission ² Court of Justice Court of Auditors	82 522 000 87 788 000 9 400 374 503 15 380 000 605 000	0.86 0.91 98.06 0.16 0.01	86 115 966 ¹ 96 931 900 11 649 642 017 17 680 920 Token entry	0.78 0.82 98.31 0.15	+ 4.36% +10.42% +23.71% +14.96% —	
Total	9 602 776 745	100.—	11 850 370 803	100.—	+ 23.40%	

¹The 1978 figures in respect of the Parliament are provisional.

²Including the draft of the first supplementary and amending budget for 1977.

Loans granted

Loans paid

2.3.88. Pursuant to Article 54 of the ECSC Treaty, the Commission made loans totalling 43.7 million EUA in June, broken down as follows between two categories:

Industrial loans

39.8 million EUA allotted to four firms to finance the following programmes:

Coal industry

Rationalization and modernization of collieries: National Coal Board, London (all collieries).

Iron and steel industry

Rationalization of pig-iron and steel production: Cockerill-Ougrée-Providence et Espérance-Longdoz S.A., Cockerill, Seraing (Haumont works, France),

Société Lorraine de Laminage Continu, Sollac, Paris (Sérémange works).

Rationalization of the production of flats:

Cockerill-Ougrée-Providence et Espérance-Longdoz S.A., Cockerill, Seraing (Réhon works, France).

Overseas project

Coal mine:

Gewerkschaft Norbert Metz, Herzogenrath (Red Ash Sales Company Inc., West Virginia, USA).

Loans for the construction of low-cost housing

These loans totalled 3.9 million EUA in the period in question.

Loan decisions

2.3.89. In June the Commission also took a number of decisions on the granting of loans under Article 54 of the ECSC Treaty, and obtained the Council's assent to the granting of another loan. The loans decided on total 147.7 million EUA.

These decisions related to the following firms:

Coal industry

Rationalization and modernization of collieries: National Coal Board, London: Shirebrook colliery, Kingswood opencast mine, Silverwood colliery, Treforgan colliery, Maryport transshipment point, Allerton Bywater colliery, Rawdon and Donisthorpe collieries, Ollerton colliery, Treeton colliery.

Iron and steel industry

Direct reduction:

North Sea Iron Company Limited, London (Jarrow works).

Rationalization of pig-iron and steel production: Société Nouvelle des Aciéries de Pompey, Neuilly-sur-Seine (Pompey works, Meurthe-et-Moselle).

Research Centre:

Institut de Recherches de la Sidérurgie Française (IRSID), Saint-Germain-en-Laye (Saint-Germainen-Laye laboratories and Maizières-les-Metz test station).

Overseas project

Iron-ore mine:

Finsider International SA, Luxembourg, for the Companhia Italo-Brasileira de Pelotizaçao, Itabrasco, Vitria, State of Espirito Santo, Brazil.

South Kirkby colliery,

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Table 5 — Expenditure — Trend by sector

	1977 '						
Sector	u u	u.a.		EUA			
	Appropriations for commitment	Appropriations for payment	Appropriations for commitment	50	Appropriations for payment		
······································	1	2	3		4		
COMMISSION		ļ					
Intervention appropriations)	1	!			
Agriculture	7 261 603 500	7 094 403 500	7 254 203 600	70.45	7 087 003 600		
Social	636 587 000	189 597 000	524 142 500	5.09	158 352 500		
Regional	500 000 000	400 000 000	398 300 000	3.87	318 600 000		
Research, energy, industry, transport	320 690 197	237 053 188	305 237 900	2.96	223 631 700		
Development cooperation	471 380 100	471 380 100	509 526 000	4.95	509 526 000		
Miscellaneous	Token entry	Token entry	Token entry	!	Token entry		
	9 190 260 797	8 392 433 788	8 991 410 000	87.32	8 297 113 800		
Administrative appropriations							
Staff	284 107 500	284 107 500	343 939 900	3.34	343 939 900		
Administrative expenditure	82 731 240	82 731 240	97 466 400	0.95	97 466 400		
Information	8 090 000	8 090 000	8 130 000	0.08	8 130 000		
Aid and subsidies	31 976 100	31 976 100	35 729 700	0.35	35 729 700		
	406 904 840	406 904 840	485 266 000	4.71	485 266 000		
Contingency reserve	3 985 000	3 985 000	3 985 000	0.04	3 985 000		
Reimbursements to Member States	629 784 164	629 784 164	629 784 164	6.12	629 784 164		
Commission total	10 230 934 801	9 433 107 792	10 110 445 164	98.19	9 416 148 964		
OTHER INSTITUTIONS	153 886 416	153 886 416	186 295 000	1.81	186 295 000		
Grand total	10 384 821 217	9 586 994 208	10 296 740 164	100.—	9 602 443 964		
	L	/	L		I		

¹ Incorporating the draft of the first supplementary budget and the letter of amendment.

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1.65585 020 5004.68556 974 5004.70+ 60 878 000+ 11.61+ 398 622 000+ 251.733.32750 000 0006600 000 0005.06+ 351 700 000+ 88.30+ 281 400 000+ 88.322.33491 912 6083.94382 291 0173.23+ 186 674 70861.16158 659 31770.955.31930 349 7007.45633 045 7005.34+ 420 823 70082.59123 519 70024.24-Token entry-Token entry86.4111 072 005 40888.6110 427 033 81787.99+ 2 080 595 40823.14+ 2 129 920 017+ 25.673.58401 731 3003.21401 731 3003.39+ 57 791 400+ 16.80+ 57 791 400+ 16.801.02108 413 2000.87108 413 2000.91+ 10 946 800+ 11.23+ 10 946 800+ 11.230.0813 392 0000.1113 392 0000.11+ 5 262 000+ 64.72+ 5 262 000+ 25.425.05568 348 2004.55568 348 2004.80+ 83 082 200+ 17.12+ 83 082 200+ 17.120.045 000 0000.045 000 0000.04+ 1 015 000+ 25.47+ 1 015 000+ 25.476.56649 260 0005.20649 260 0005.48+ 19 475 836+ 3.09+ 19 475 8363.0598.0612 294 613 60898.3911 649 642 01798.31+ 2 184 168 444+ 21.60+ 2 2			1978			Change			
%. Commitment %. Amount %. % Mathematetthethematethematethematethematethe			EL	JA					
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5.31930 349 7007.45633 045 7005.34+ 420 823 70082.59123 519 70024.24-Token entry-Token entry86.4111 072 005 40888.6110 427 033 81787.99+ 2 080 595 40823.14+ 2 129 920 017+ 25.673.58401 731 3003.21401 731 3003.39+ 57 791 400+ 16.80+ 57 791 400+ 16.801.02108 413 2000.87108 413 2000.91+ 10 946 800+ 11.23+ 10 946 800+ 11.230.0813 392 0000.1113 392 0000.11+ 5 262 000+ 64.72+ 5 262 000+ 64.720.3744 811 7000.3644 811 7000.38+ 9 082 000+ 25.42+ 9 082 000+ 25.425.05568 348 2004.55568 348 2004.80+ 83 082 200+ 17.12+ 83 082 200+ 17.120.045 000 0000.045 000 0000.04+ 10 15 000+ 25.47+ 1 015 000+ 25.476.56649 260 0005.20649 260 0005.48+ 19 475 836+ 3.09+ 19 475 836+ 3.0998.0612 294 613 60898.3911 649 642 01798.31+ 2 184 168 444+ 21.60+ 2 233 493 053+ 23.721.94200 728 7861.61200 728 7861.69+ 14 433 786+ 7.75+ 14 433 786+ 7.75	3.32	750 000 000	6.—-	600 000 000	5.06	+ 351 700 000	+ 88.30	+ 281 400 000	+ 88.32
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$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	3.58	401 731 300	3.21	401 731 300	3.39	+ 57 791 400	+16.80	+ 57 791 400	+ 16.80
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	1.02	108 413 200	0.87	108 413 200	0.91	+ 10 946 800	+11.23	+ 10 946 800	+11.23
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	0.08	13 392 000	0.11	13 392 000	0.11	+ 5 262 000	+64.72	+ 5 262 000	+ 64.72
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	0.37	44 811 700	0.36	44 811 700	0.38	+ 9 082 000	+ 25.42	+ 9 082 000	+ 25.42
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00. 12 495 342 394 100. 11 850 370 803 100. + 2 198 602 230 + 21.35 + 2 247 926 839 + 23.41	1.94	200 728 786	1.61	200 728 786	1.69	+ 14 433 786	+ 7.75	+ 14 433 786	+ 7.75
	00.—	12 495 342 394	100.—	11 850 370 803	100.—	+ 2 198 602 230	+ 21.35	+ 2 247 926 839	+ 23.41

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Table 6 — First supplementary and amending budget for 1977

u.a.

	Preliminary draft ¹	Draft
COMMISSION		
Present appropriations	8 651 927 540	8 651 927 540
Changes — Staff — Research — EAGGF Guarantee Section Guarantee for EIB loans to Maghreb and Malta Repayment to Member States of 10% of own resources	+ 21 575 000 - 2 672 404 + 714 400 000 token entry + 28 187 414	$\begin{array}{rrrr} + & 21 \begin{array}{c} 575 \\ 2 \\ + \end{array} \\ 714 \begin{array}{c} 400 \\ 3 \\ + \end{array} \\ 45 \begin{array}{c} 205 \\ 2524 \end{array}$
New total	9 413 417 550	9 433 107 792
OTHER INSTITUTIONS		
Present appropriations	148 099 329	148 099 329
Changes in staff appropriations Court of Auditors	+ 5 287 087 token entry	+ 5 287 087 + 500 000
New total	153 386 416	153 886 416
Grand total	9 566 803 966	9 586 994 208

¹ As amended by amending letter.

² The change in research appropriations has been separated from this budget for the time being.

³ Request rejected by the Council for 1977.

⁴ This amount differs appreciably from the appropriation in the preliminary draft as the own resources forecasts have since been updated.

ECSC Auditor

Annual report 1976

2.3.90. On 30 June the ECSC Auditor submitted his report on the High Authority's accounting and financial management during the 1976 financial year (Article 78e of the ECSC Treaty).

The report is in two parts. The first analyses and comments on the balance sheet, the revenue and expenditure account and the allocation of the surplus of revenue over expenditure. The second covers the different sectors of the ECSC's activities, indicating what checks were made and commenting on them. It gives statistical data, comments on developments and is evaluative in its approach.

The conclusions first of all summarize the main features of ECSC financial operations, showing a further substantial increase in the Community's principal financial resources. At the parities ruling on 31 December 1976, issues on the capital market raised 956 million EUA as against 702 million EUA in 1975, while levies collected amounted to 92 million EUA. On the basis of conversions made at the rate applying on the date of the operation, placements yielded 28 million EUA.

ECSC Auditor

ECSC Auditor

while the revenue from lending and borrowing operations amounted to 269.3 million EUA and the corresponding expenditure totalled 263.3 million EUA.

During the financial year, under the ECSC operational budget, 21.8 million EUA were committed for resettlement, 29.5 million EUA for research, 8 million EUA for interest relief grants and 9.2 million EUA for aid for coking coal.

The balance of budgetary and financial revenue and expenditure shows a surplus of around 56 million EUA.

In his final remit, based on the Treaty of Paris, now amended by the Treaty of 22 July 1975 establishing a European Court of Auditors, the Auditor devotes the conclusions of his report to three major subjects:

(i) the implementation of the EUA system;

(ii) the state of the management control operated by the Institution as it affects the exercise of external control and the functioning of the Community at the level of political responsibility;

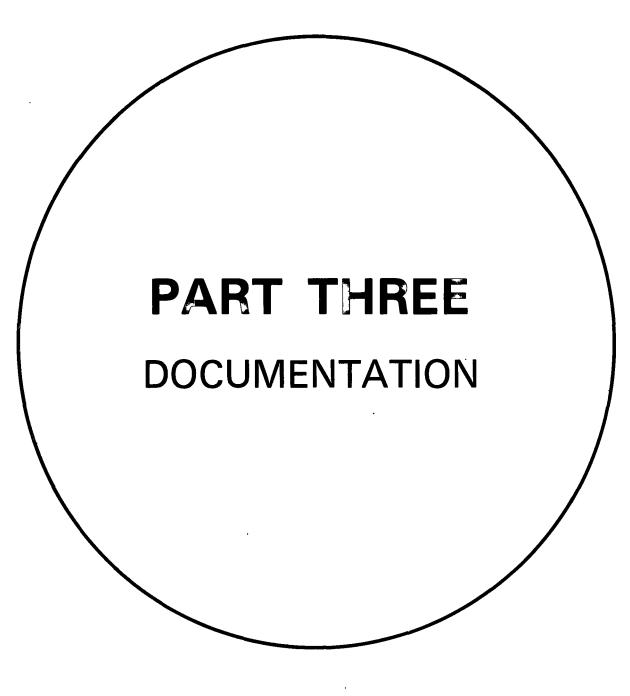
(iii) the ease with which flexible internal organization would meet a number of observations which have had to be constantly reiterated.

The Auditor would like the EUA to be used, not only for the determination of rights and obligations and for book-keeping but also to express banking movements arising from the resulting transactions, and for the accounts opened on the Community's behalf with the banking organizations which are intermediaries between the Institution and beneficiaries or debtors. On the other hand, as regards the management of measures which date from before 1 January 1976 or which are still expressed and administered in currencies, the accounts must at all times be expressed in the currency in question; conversion into EUA is restricted to purposes of aggregation or statistics.

He then recommends that a more thorough system of internal management control—concerned more with ensuring that results conform to the objective pursued—should be organized in line with the scale and diversity of the tasks. The external control authority must be able to find the data essential for maintaining correct financial monitoring in the resulting statement of information and assessments in the files presented to it.

Finally, the Auditor regrets that certain criticisms have to be repeated every year when very often prompt and effective collaboration between the departments concerned would be enough to remedy the situation, for the question of substance is generally not contested. In this connection he once again notes how difficult it is to ensure coordination within the Institution.

As in previous years, the report is followed by two annexes; one summarizes the ECSC's financial and budgetary operations, and the other the settlement operations of the Scrap Iron Equalization Fund since 1 January 1966. . .



Additional references in the Official Journal

Additional references in Official Journal

3.1.1. This section lists the titles of legal instruments and notices of Community institutions or organs published in the Official Journal during the month under review but relating to items appearing in earlier issues of the Bulletin; the references were not available when the Bulletin went to press.

The number of the Bulletin and the point to which this additional information refers is followed by the title shown on the cover of the Official Journal, the number of the issue and the date of publication.

Bull. EC 4-1977

Point 2.3.56

1

Case 55/77: Reference for a preliminary ruling made by judgment of the Arbeidsrechtbank of the judicial district of Antwerp dated 21 April 1977 in the case of Margeurite Emilie Maris v. Rijksdienst voor Werknemerspensioenen. OJ C 142 of 16.6.1977.

Bull: EC 5-1977

Point 2.1.74

Proposal for a Council Directive on the performance, maintenance and regulation of heat generators and the insulation of the distribution system in new buildings. OJ C 138 of 11.6.1977.

Point 2.3.46

Order of the Courts of 21 May 1977 in Cases 31/77 R and 53/77 R: Commission of the European Communities v. the United Kingdom of Great Britain and Northern Ireland. OJ C 142 of 16.6.1977.

Point 2.3.55

Case 64,77: Reference for a preliminary ruling made by judgment of the Tribunal du Travail, Liege, 7th Chamber, dated 11 May 1977, in the case of Mario Torri v. L'Office National des Pensions pour Travailleurs Salariés.

OJ C 149 of 24.6.1977.

Point 2.3.56

Case 65/77: Reference for a preliminary ruling made by judgment of the Cour d'Appel de Douai, dated 18 May 1977, in the case of Jean Razanatsimba. OJ C 149 of 24.6.1977.

OJ C 149 of 24.6.197

Point 2.3.57

Case 66/77: Reference for a preliminary ruling made by judgment of the Arbeidsrechtbank for the judicial district of Hasselt, dated 18 May 1977, in the case of Petrus Kuyken v. Rijksdienst voor Arbeidsvoorziening. OJ C 149 of 24.6.1977.

Point 2.3.58

Case 67/77: Action brought on 31 May 1977 by Robert Giry against the Commission of the European Communities. OJ C 149 of 24.6.1977.

Point 2.3.68

Judgment of the Court (Second Chamber) of 26 May 1977 in Case 108/76 (reference for a preliminary ruling made by the Bundesfinanzhof (VIIth Senate)): Klöckner-Ferromatik GmbH v. Oberfinanzdirektion.

OJ C 149 of 24.6.1977.

Point 2.3.74

Opinion on the implementation and development of the Community's consumer protection and information programme.

OJ C 152 of 29.6.1977.

Point 2.3.75

Opinion on the proposal for a Council Directive on bird conservation.

OJ C 152 of 29.6.1977.

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Irsk In irischer Sprache In Irish Langue irlandaise Lingua irlandese Iers

DK

Dansk In dänischer Sprache In Danish Langue danoise Lingua danese Deens

D

Tysk In deutscher Sprache In German Langue allemande Lingua tedesca Duits

Е

Engelsk In englischer Sprache In English Langue anglaise Lingua inglese Engels

F

Fransk In französischer Sprache In French Langue française Lingua francese Frans

I

Italiensk In italienischer Sprache In Italian Langue italienne Lingua italiana Italiaans

NL

Nederlandsk In niederländischer Sprache In Dutch Langue néerlandaise Lingua olandese Nederlands

S

Spansk In spanischer Sprache In Spanish Langue espagnole Lingua spagnola Spaans

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