II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 10 October 1978

adapting Decision 77/359/EEC fixing the economic policy conditions to be observed by the Italian Republic

(78/840/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 397/75 of 17 February 1975 concerning Community loans (1), and in particular Article 3 thereof,

Having regard to Council Decision 77/359/EEC of 17 May 1977 adapting Decision 76/324/EEC fixing the economic policy conditions to be observed by the Italian Republic (2), and in particular Article 3 thereof,

Having regard to the proposal submitted by the Commission which has for this purpose consulted the Monetary Committee,

Whereas by Decision 77/359/EEC the Council fixed the economic policy conditions to be observed by the Italian Republic during 1977,

Whereas it is appropriate to fix the conditions to be observed for subsequent years during which the loans are granted to the Italian Republic by Decisions 76/322/EEC (3) and 77/361/EEC (4);

Whereas the development of the economic situation in Italy must permit the attainment in 1978 of a current balance of payments surplus of at least Lit 3 000 000 million and an increase in consumer prices of less than 14 % for the fourth quarter of 1978 compared with the fourth quarter of 1977; whereas for this purpose it is appropriate to fix the economic policy conditions to be observed during the remainder of 1978; whereas the economic policy conditions to be observed in 1979 will be fixed before the end of 1978;

Whereas the Italian authorities have declared that they will not, unilaterally, take any measure of a commercial or financial nature to restrict imports or subsidize exports,

HAS ADOPTED THIS DECISION:

Article 1

The economic policy conditions to be observed by the Italian Republic during the 1978 calendar year in connection with the Community loans granted to this Member State by Decisions 76/322/EEC and 77/361/EEC shall be as follows:

(a) current cash expenditure of public administration must be limited to Lit 90 500 000 million;

(b) the overall deficit of the public sector (treasury, local authorities, sickness insurance, ENEL), taking into account the financial assistance given directly to entities outside the public sector, must not exceed Lit 31 500 000 million, i.e. about 15·5 % of gross domestic product, including Lit 28 000 000 million for the transactions of the treasury and local authorities as a whole;

(1) OJ No L 46, 20. 2. 1975, p. 1.
(2) OJ No L 132, 27. 5. 1977, p. 34.
(3) OJ No L 77, 24. 3. 1976, p. 12.
(4) OJ No L 132, 27. 5. 1977, p. 37.

(c) the growth in total lending, as defined in Article 6 (1) of Council Directive 74/637/EEC of 17 December 1974 granting medium-term financial assistance to the Italian Republic [1], must not exceed Lit 46 000 000 million ;

(d) total monetary-base creation (excluding postal deposits) must not exceed Lit 7 500 000 million ;

(e) the sliding salary scale system should be modified so as to reduce its effect on labour costs and on the overall deficit of the public sector.

Article 2

Before the end of October 1978, intermediate quarterly objectives shall be established by agreement between the Italian authorities and the Commission in relation to the conditions indicated in Article 1, except for that set out in (e).

Before the end of 1978, the Council, on the recommendation of the Commission, shall adapt, for 1979, the conditions contained in Article 1.

Article 3

This Decision shall adapt Decision 77/359/EEC.

Article 4

This Decision is addressed to the Italian Republic.

Done at Luxembourg, 10 October 1978.

For the Council

The President

R. OFFERGELD

[1] OJ No L 341, 20. 12. 1974, p. 51.