

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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THE EUROPEAN SUMMIT

The European Community's economic outlook remains uncertain, and both its own recovery and its capacity to contribute to the success of the "North/South" dialogue depends to some extent on stable or only moderately increased oil prices.

These were among the conclusions reached at the November 29-30 meeting of the "European Council" in The Hague. The European Council, consisting of the Community members' heads of state or government, meets three times a year to set the broad lines of Community policy at the highest political level.

Agenda items were the Community's economic situation, relations with Japan, the Community's position at the North/South dialogue (officially known as the Conference on International Economic Cooperation now underway in Paris), and the "Tindemans report" on ways of forging European Union. (The report was named for its author Belgian Prime Minister Leo Tindemans who was Foreign Minister when he wrote it at the request of the European Council.)

On relations with Japan, in a declaration issued at the close of the meeting, the European Council "notes with concern the effects of import and export practices followed hitherto in Japan as well as the rapid deterioration in the trade situation between the Community and Japan and the problems which have arisen in certain important industrial sectors."

The official translation into English of the European Council's declarations on relations with Japan and on the Conference on International Economic Cooperation is annexed to this note together with unofficial translations from the French of the European Council's statement on the Tindemans report and of the Commission's communication to the European Council which served as the basis for the Council's discussion of the Community's economic situation.

STATEMENT ON THE TINDEMANS REPORT

(unofficial translation from the French)

1. The European Council has examined the report on European Union which, at its request, was presented to it by Mr. Tindemans. It heard a statement from the President on the work accomplished and approved the general orientation of comments by the ministers of foreign affairs on the various chapters of the report.
2. The European Council expressed very great interest in the analyses and proposals formulated by Mr. Tindemans. It shared the views expressed by the Belgian Prime Minister on the need to build the European Union by reinforcing the solidarity of the nine member states and of their peoples, both on the internal level and in their external relations, and by endowing the Union progressively with the necessary instruments and institutions for its action. It believes that the European Union should effectively extend into the daily life of individuals striving to protect their rights and to improve their way of life.
3. The European Council had, on this occasion, a broad discussion of the principles which must guide the construction of the European Union during the next few years. The European Union will be built progressively by consolidating and expanding the Community's achievements. The existing treaties could serve as the basis for new policies. The achievement of economic and monetary union is fundamental for the consolidation of the Community's solidarity and for the establishment of the European Union. A priority importance should be given to action against inflation and unemployment as well as to the completion of a common policy for energy and research and a real regional and social policy for the Community.
4. The European construction should also put to best advantage the possibilities for cooperation between the nine member governments in the areas where the States are ready to exercise their sovereignty in a convergent manner. This type of cooperation undertaken in the field of foreign policy should lead to the search for a common external policy.
5. Within the perspective defined by the report on European Union, the heads of state -- agreeing to reach a common, coherent, and global political concept -- reaffirm their will to develop the authority and the efficacy of Community institutions as well as their peoples' allegiance to them and confirm the directing role of the European Council.
6. Starting from the conclusions reached by the ministers of foreign affairs, the Council invites them and the Commission in the areas of their respective competence to report to it once a year on the results achieved and possible short-term progress in the different areas of the Union to bring into reality the common concept of the European Union.

THE ECONOMIC SITUATION IN THE COMMUNITY
(COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN COUNCIL)
(unofficial translation from the French)

1. The economic situation in most of the member states has barely improved for several months:
 - The attenuation of certain exceptional factors (rebuilding stocks), the slow growth of private consumption, as well as the continuing weakness of investment, have occasioned, with the exception of a few sectors, a slowdown in industrial production.
 - Since summer, deficit countries' balance of payments has considerably deteriorated, under the influence of seasonal factors and the depreciation of certain currencies.
 - Following the stagnation of production, the short-term reabsorption of unemployment has scarcely shown any progress, and the number of unemployed has even begun to increase again in several member states.
 - The pace of inflation has again accelerated in several member states.
2. The weakening of the economic cycle affects almost every industrialized country. It is accompanied by a considerable slowdown in the expansion of world trade. A possible increase in the price of petroleum could accentuate the deterioration of the economic situation at world level and seriously compromise the pursuit of economic recovery in the industrialized countries.
3. Given this situation, in every member state, the opinion has been strengthened that only a more pronounced and generalized price stability can assure, in the long term, lasting economic growth, reduction in unemployment, and more orderly evolution of exchange rates.
4. Meanwhile, the Community's cohesion remains threatened. The disparities in the trend of prices, costs, and balances of payments persist. The changes that have taken place in the relationships between currencies create new differences in the member states' situations in their struggle against increases in prices and costs. The resultant dangers to the Community from the permanence of these disparities can only be surmounted by a strengthening of solidarity between member states.
5. The achievement of the objectives for 1977, as they were set by the Council at its November 22, 1976, meeting* is subject to the following conditions:
 - that the positive factors predominate in general and especially that the growth of world trade continues without being restricted by protectionist measures
 - that new efforts be made to coordinate economic policy and action for stabilization -- at the international level as well as at the Community level
 - that in the context of collaboration with the social partners [labor, management, and government], in the member states and at Community level, account be taken of macro-economic possibilities in future salary negotiations. The dialogue with the social partners, recommended by the European Council at its last meeting, must be pursued.
 - that the price of petroleum not increase or increase only moderately.

*The Annual Report on the Community's Economic Situation, Doc. R/2520/1/76 (Fin. 667 Rev. 1).

6. The facts now available do not suggest that economic policy should be reoriented. It will be important, nevertheless, in the coming weeks and months, to watch developments closely to be in a position to react promptly to a possible paralysis of the driving forces of economic growth, inside as well as outside [the Community].

In addition, future economic policy should remain differentiated according to each member state's position:

--- Deficit countries should pursue a rigorous policy in monetary matters, public spending, and taxation to reduce balance-of-payments deficits and inflation rates, break the chain of monetary depreciations and price increases, and thus reestablish a climate of confidence in the shortest time possible.

--- The countries that are not subject to external restraints and which can begin to count on another slowdown in the rise of prices should take care to encourage internal demand. Thus, they will support the efforts of the deficit countries which, in the absence of an upturn in external demand, could not succeed except at the cost of a distinct weakening of economic activity and aggravation of unemployment.

ANNEX III

EUROPEAN COUNCIL STATEMENT ON EC/JAPAN RELATIONS

(official translation from the French)

The European Council stresses the importance it attaches to maintaining good relations between the Community and Japan and its strong desire that these relations should develop to the advantage of both the Community and Japan.

The European Council notes with concern the effects of import and export practices followed hitherto in Japan as well as the rapid deterioration in the trade situation between the Community and Japan and the problems which have arisen in certain important industrial sectors. Determined efforts are called for to remedy this situation, paying particular attention to the need for rapid expansion of Japanese imports from the Community, with a view to the development of mutually advantageous trade relations.

The European Council accordingly invites the responsible Community institutions to give further urgent consideration to these problems and to pursue vigorously this important aspect of the common commercial policy in discussions with Japan. It expects that substantial progress will have been achieved before its next meeting on the solutions which are urgently needed to realize the Community's objectives.

The European Council notes with satisfaction that the Japanese Government is willing to cooperate with the European Community, on the basis of mutual understanding, in solving the problems which arise.

EUROPEAN COUNCIL STATEMENT ON CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION
(CIEC)

(official translation from the French)

The European Council reaffirms the importance which it attaches to the whole range of problems relating to international economic cooperation, and therefore to the CIEC.

In its view, the nature and composition of the conference and the scope of the matters with which it is concerned bestow upon it a particular significance which justifies the pursuit of the efforts already made.

The European Council considers that further progress must be made by all concerned to reach mutually satisfactory conclusions, which would permit considerable progress to be made in international economic cooperation and would enable an important contribution to be made to the economic development of the developing countries.

The Community, for its part -- conscious of the growing interdependence of world economies and anxious to encourage an atmosphere conducive to international economic cooperation -- is prepared to make as positive a contribution as it can to the extent that developments in its own economy permit.

At the end of its exchange of views on this question, the European Council confirmed the importance which it attaches to the success of the North/South dialogue and requested the competent bodies of the Community to proceed in this light with their work on all of the matters under discussion.