

**THE EUROPEAN COUNCIL**

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Documents in the dossier include:

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Session of the European Council  
Reproduced from *The European Council*  
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Mr. James Callaghan, Prime Minister, in the House of Commons on December 7, 1977  
British Information Services  
New York NY

## Session of the European Council

Brussels, 5 and 6 December 1977

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### Conclusions

#### Economic and social situation

1. The European Council conducted a wide-ranging discussion of the economic and social situation in the Community, during which it was established:
  - that, although considerable results had been achieved in combating inflation and improving the balance of payments, the level of unemployment remained a major cause for concern, the growth of demand was insufficient and the degree of utilization of industrial capacity was very low;
  - that for these reasons every effort should be made to implement the strategy for economic growth approved by the Council (Ministers of Economic and Financial Affairs) on 17 October 1977.
2. The European Council felt that the implementation of this strategy should be accompanied by progress towards Economic and Monetary Union.

The European Council noted with satisfaction the Commission communication on the prospect of EMU.

It reaffirmed its attachment to the objective of EMU.

With this in mind, it requested the Council (Ministers of Economic and Financial Affairs) to make a thorough study of the Commission communication.

It noted the intention of the Commission to raise this question before the European Parliament, the Economic and Social Committee and in future tripartite conferences.

3. At the end of this discussion the European Council approved the following immediate objectives:
  - increased coordination of economic policies,
  - the strengthening of monetary solidarity,
  - the development of the Community's financing facilities,
  - the search for Community solutions to structural problems.
  
4. In order to achieve these objectives the European Council adopted the following instruments:
  - (a) In order to go further than a juxtaposition of national objectives, the convergence of short-term economic policies should be reinforced by a better coordination of national short-term economic policy instruments and their insertion in a Community framework and procedure.
  - (b) The strengthening of financial solidarity should be promoted by the adjustment of short- and medium-term credit mechanisms.
  - (c) The European Council declared itself in favour of the development of the Community's financing facilities by approving the principle of the establishment, on an experimental basis, of a new instrument for Community lending and borrowing, the loans being managed by the European Investment Bank. It instructed the Council (Ministers of Economic and Financial Affairs) to examine the proposal which the Commission would make on this subject.
  - (d) With the aim of adapting European industry to the new conditions on the Community and world markets, solutions to the structural problems which are common to all the Member States must increasingly be sought at Community level, particularly for the steel, textiles and ship-building industries.

In the case of the growth sectors, the Commission is urged to submit its report before July 1978.
  
5. The European Council stressed the importance of contacts with the two sides of industry through the tripartite conferences, and requested that the follow-up work to the last tripartite conference be expedited.

The European Council took note of the problems raised by monetary compensatory amounts in the context of the agricultural policy, as regards their financial effects and their impact on the unity of the market. Between now and March 1978 it expects the Council to re-examine these problems on the basis of proposals from the Commission.

With a view to an improvement in the economic situation, the European Council reaffirmed the need for an energy saving policy and stability of oil prices.

6. The European Council took note of the Commission's intention of submitting proposals as soon as possible on the problems of the Mediterranean regions of the Community.
7. After an exchange of views on relations between the Community and Japan and in particular on the disturbing question of Japanese balance-of-payments surpluses in the context of the world economy as a whole, the European Council called upon the President of the Commission to continue and intensify his consultations with the Japanese government with special reference to this subject.

## European Union

In accordance with the decision taken at its meeting in November 1976, the European Council, when it met in Brussels on 5 and 6 December, reviewed and approved the first annual reports on progress achieved towards European Union, which were presented by the Ministers of Foreign Affairs and the Commission.

It was agreed that the two reports would be published jointly.

## European Foundation

At its meeting in Brussels on 5 and 6 December, the European Council considered the Commission's report on the terms of reference, nature and funding of a European Foundation.

It agreed in principle that such a Foundation should be established and asked the Commission and the Council each to examine the aspects of the question which concern it, so that at the next meeting (April 1978), the European Council will be in a position to take concrete decisions on implementing the project.

## European unit of account

At its meeting on 5 and 6 December the European Council decided in principle to introduce the European unit of account (EUA) for the Budget of the Communities from 1 January 1978. On 21 December the Council adopted the following procedure for implementing this decision:

- (i) the Regulation applying the EUA to the acts of the institutions will be formally adopted by 31 March 1978;
- (ii) until this Regulation comes into effect the budget will be executed in EUA on the basis of the relevant Articles of the new Financial Regulation (Articles 10, 26, 30 and 63), certain transitional provisions recorded in the minutes of the Council meeting and monthly rates for converting the EUA into national currencies.

## Regional policy

The European Council agreed:

1. on three-year planning of the European Regional Development Fund, as follows:

1978	580 million EUA
1979	620 million EUA
1980	650 million EUA
Total	1 850 million EUA

2. to grant France, for the benefit of the French overseas departments, a 2% increase in its national quota, to be deducted from the quotas of the other Member States;
3. to instruct the Council to settle the other outstanding points, including the establishment of a non-quota section.

## Election of Parliament

The European Council reaffirmed its wish that direct elections to the European Parliament should take place in May/June 1978 and noted that eight Member States were in a position to hold elections at that time. The European Council noted that a bill on this subject was then before the United Kingdom Parliament and expressed the hope that the legislative procedures in the United Kingdom would be completed in time to enable this objective to be attained. It also noted the determination of the United Kingdom Government to do all in its power to make this possible.

## Recourse to Article 155 of the EEC Treaty

The European Council took note of the Commission's report on the possibilities offered by Article 155 of the EEC Treaty and instructed the Council to examine this question on the basis of more detailed proposals to be presented by the Commission.

## Legal cooperation

The European Council took note of a communication from the President of France on developing legal cooperation between the Member States.

# 1. Building the Community

## Economic and monetary policy

### Conclusions of the European Council on economic matters

2.1.1. The European Council, which met in Brussels on 5 and 6 December,<sup>1</sup> examined the economic problems facing the Community in the light of documents submitted by the Commission on the prospect of economic and monetary union,<sup>2</sup> the economic situation in the Community, and certain commercial and sectoral problems.

The 'conclusions of the Presidency' on the economic situation in the Community, released after the meeting, are as follows:

1. The European Council conducted a wide-ranging discussion of the economic and social situation in the Community, during which it was established:

— that, although considerable results had been achieved in combating inflation and improving the balance of payments, the level of unemployment remained a major cause for concern, the growth of demand was insufficient and the degree of utilization of industrial capacity was very low;

— that for these reasons every effort should be made to implement the strategy for economic growth approved by the Council (Ministers of Economic and Financial Affairs) on 17 October 1977.

2. The European Council felt that the implementation of this strategy should be accompanied by progress towards Economic and Monetary Union.

The European Council noted with satisfaction the Commission communication on the prospect of EMU.

It reaffirmed its attachment to the objective of EMU.

With this in mind, it requested the Council (Ministers of Economic and Financial Affairs) to make a thorough study of the Commission communication.

It noted the intention of the Commission to raise this question before the European Parliament, the Economic and Social Committee and in future Tripartite Conferences.

3. At the end of this discussion the European Council approved the following immediate objectives:

- increased coordination of economic policies;
- the strengthening of monetary solidarity;
- the development of the Community's financing facilities;
- the search for Community solutions to structural problems.

4. In order to achieve these objectives the European Council adopted the following instruments:

(a) In order to go further than a juxtaposition of national objectives, the convergence of short-term economic policies should be reinforced by a better coordination of national short-term economic policy instruments and their insertion in a Community framework and procedure.

(b) The strengthening of financial solidarity should be promoted by the adjustment of short and medium-term credit mechanisms.

(c) The European Council declared itself in favour of the development of the Community's financing facilities by approving the principle of the establishment, on an experimental basis, of a new instrument for Community lending and borrowing, the loans being managed by the European Investment Bank. It instructed the Council (Ministers of Economic and Financial Affairs) to examine the proposal which the Commission would make on this subject.

(d) With the aim of adapting European industry to the new conditions on the Community and world markets, solutions to the structural problems which are common to all the Member States must increasingly be sought at Community level, particularly for the steel, textiles and shipbuilding industries.

In the case of the growth sectors, the Commission is urged to submit its report before July 1978.

5. The European Council stressed the importance of contacts with the two sides of industry through the Tripartite Conferences, and requested that the follow-up work to the last Tripartite Conference be expedited.

The European Council took note of the problems raised by monetary compensatory amounts in the context of the agricultural policy, as regards their financial effects and their impact on the unity of the market. Between now and March 1978 it expects the Council to re-examine these problems on the basis of proposals from the Commission.

<sup>1</sup> Point 2.3.26.

<sup>2</sup> Bull. EC 10-1977, point 1.2.1.

With a view to an improvement in the economic situation, the European Council reaffirmed the need for an energy saving policy and stability of oil prices.

6. The European Council took note of the Commission's intention of submitting proposals as soon as possible on the problems of the Mediterranean regions of the Community.

7. After an exchange of views on relations between the Community and Japan and in particular on the disturbing question of Japanese balance-of-payments surpluses in the context of the world economy as a whole, the European Council called upon the President of the Commission to continue and intensify his consultations with the Japanese government with special reference to this subject.<sup>1</sup>

#### **Action to be taken following the meeting of the European Council**

2.1.2. The Council (Economic and Financial Affairs) met in Brussels on 19 December to consider the action to be taken on the conclusions of the European Council.

To prepare the ground for a detailed discussion of the Commission communication to the European Council on economic and monetary union, the Council invited the Permanent Representatives Committee and the specialized economic and financial committees (the Monetary Committee, the Committee of Governors of the Central Banks and the Economic Policy Committee) to proceed to a prior examination of the communication.

The Council also recalled that the European Council had expressed itself in favour of increased convergence of short-term economic policies by better coordination of national short-term economic policy instruments properly dovetailed into a Community framework and procedure.

The Council undertook to examine the problem at a forthcoming meeting on the basis of the reports which would be forwarded by the various working parties and specialized committees to which it had entrusted the study of a Commission communication on the matter.

In conclusion the Council invited the Commission to present as soon as possible its proposal for the establishment of a new instrument for Community lending and borrowing in accordance with its instructions from the European Council.

#### **Strengthening of the mechanism for medium-term financial assistance**

2.1.3. After examining a proposal which the Commission had made on 12 December, the Council on 19 December<sup>1</sup> adopted a Decision on the adjustment of medium-term financial assistance.

The purpose of this Decision is to double the commitment ceilings of the Member States and at the same time to adjust the conditionality rules and the rules concerning surveillance of compliance with the conditions subscribed to. Henceforward, commitment ceilings and operations for granting assistance will be expressed in European units of account.

#### **Capital movements: safeguard measures for Denmark, Ireland and the United Kingdom**

2.1.4. On 21 December the Commission authorized Denmark, Ireland and the United Kingdom to take protective measures, under Article 108(3) of the EEC Treaty, concerning, for the three countries, portfolio investments and, for the United Kingdom, direct investment and certain capital movements of a personal nature.

The three countries had informed the Commission that they were not in a position to liberalize the purchase by their residents of foreign quoted securities from 1 January 1978, as provided by the Act of Accession. The Danish and Irish authorities justified their requests for derogations by balance-of-payments difficulties. The United

<sup>1</sup> OJ L 14 of 18.1.1978.

## 1977 reports to the European Council from the Ministers for Foreign Affairs and the Commission

*1.1.1.* The European Council on 5 and 6 December had before it reports from the Ministers for Foreign Affairs and the Commission on progress made towards European Union in 1977.<sup>1</sup> When it met in The Hague on 29 and 30 November 1976, the European Council, having examined the Tindemans Report on European Union,<sup>2</sup> asked the Foreign Ministers and the Commission to report once a year 'on the results obtained and the progress which can be achieved in the short term in the various sectors of the Union, thus translating into reality the common conception of European Union'.<sup>3</sup>

*1.1.2.* The Commission's report notes that in 1977 the Member States have been preoccupied almost exclusively with the domestic effects of the crisis and have not been able to seize the opportunities offered by the Community to solve their problems. It is thus hardly surprising that meagre progress has been made towards European Union this year, though the Community has at least managed to prevent a return to protectionism. The Commission believes that if progress is to be made towards European Union the objective of economic and monetary union must be relaunched. Progress will be possible only if the Member States immediately reaffirm their determination to achieve it and actively prepare the ground for the qualitative jump to economic and monetary union. The urgency of this is all the greater as the Community now faces the challenge of a second enlargement.

In external relations the Commission notes that progress has been made in that the Community is increasingly regarded as an entity in its own right. It feels that it is vital for the multilateral economic system to be developed, for protection-

ism to be prevented and for access to external markets, energy sources and commodity sources to be safeguarded. The Community must adapt the structures of its economy to bring them closer into line with the new international economic situation, particularly as regards the developing countries.

The Commission also recalls that on the eve of direct elections most Europeans still regard the Community as something theoretical and far away. It emphasises that substantial efforts must be made to bring the Community home to the public.

The planned European Foundation should be able to help here, as should the various declarations on fundamental rights and democracy as part of the very essence of the Community. The Commission's view is that the accent should be placed on those aspects of the Community's activities which are evidence of its involvement in day-to-day life, notably by speeding up progress on the environment, consumer protection and free movement of persons.

Lastly, the Commission reaffirms that the institutions of the Community need strengthening if union is to be attained. Direct elections are of especial importance here. They provide a means of interesting the citizen of Europe in the Community, giving him a sense of responsibility and giving a new political impetus to our shared objective. The other Community institutions must likewise be strengthened so as to improve their operation.

<sup>1</sup> Supplement 8/77 — Bull. EC.

<sup>2</sup> Supplement 1/76 — Bull. EC.

<sup>3</sup> Bull. EC 11/76, point 2501.



## The Commission's report to the European Council

1.2.1. On 17 November, the Commission sent a report to the European Council on the terms of reference, nature and funding of a European Foundation<sup>1</sup> along the lines suggested by Mr Tindemans in his report on European Union.<sup>2</sup>

At its meeting in Rome on 26 March 1977 the European Council instructed the Commission to draw up this report for its last meeting of the year on 5 and 6 December.<sup>3</sup>

In preparing the report, the Commission was assisted by a group of outside experts.

### Tasks and methods of the Foundation

1.2.2. The Commission's report first examines the tasks of a European Foundation, as Mr Tindemans had proposed. He had suggested that the task of the Foundation could be

'to promote, either directly or by assisting existing bodies, anything which could help towards greater understanding among our peoples by placing the emphasis on human contact: youth activities, university exchanges, scientific debates and symposia, meetings between the socio-professional categories, cultural and information activities. This Foundation will also have a role to play in presenting abroad the image of a United Europe. By virtue of its character, this Foundation will often be able to intervene more flexibly and more effectively than national or European authorities. It will also offer the innumerable supporters of European unification in our countries an opportunity to make a personal contribution by aiding the Foundation. In this manner it will be more clearly apparent that the creation of the Union can and must be a matter for us all.'

Before considering the part the Foundation could play in the various spheres referred to, the group

discussed in detail the rationale for a European Foundation, in order to meet needs especially acutely felt at the present time: the Community's work must be better understood and more widely supported, understanding between the Community's own citizens strengthened and the Community's image projected to the rest of the world.

For this purpose an independent Foundation complementing the work of the European institutions would be exceedingly useful, provided its methods were clearly defined and priorities agreed.

### Objectives

1.2.3. The report goes on to consider the aims the Foundation would be assigned in the various fields listed by Mr Tindemans:

(a) *youth work*: particular stress is laid on schemes for the young at school and university, and still more for 'young adults', with special references to exchanges of young workers and students;

(b) *scientific debates and symposia and research activities*: the Foundation could be very helpful in breaking down barriers between national projects and coordinating research on European integration;

(c) *social and occupational groups*: the Foundation could help to get these groups to know one another better and form a fuller and clearer picture of what life is like in one another's countries;

(d) *cultural and information operations*: while taking care not to encourage anything in the nature of elitism, the Foundation should work for better knowledge of the common European heritage and encourage contact between leading lights in the Community countries' socio-cultural affairs.

<sup>1</sup> Supplement 5/77 — Bull. EC.

<sup>2</sup> Report on European Union by Mr Leo Tindemans, the Prime Minister of Belgium, to the European Council; Chapter IV, 'A citizen's Europe'; Supplement 1/76 — Bull. EC.

<sup>3</sup> Bull. EC 3-1977, point 2.3.4.

In the field of information proper, it should concentrate on 'educating the purveyors of information', in cooperation with journalists' and media organizations and with European organizations and movements: in the case of the media special attention should be devoted to encouraging the provision of news on daily life and day-to-day happening in other countries by promoting exchanges of programmes and reporters;

(e) *outside the Community*, the Foundation could do excellent work for the impact of United Europe, particularly in the countries applying for membership and in the developing countries with which the Community has special agreements. Cooperation between member countries' cultural institutes abroad on joint 'European' schemes would be a valuable means to this end.

The establishment of a European Foundation would thus be justified by the flexibility with which it could act where the European Institutions and Governments, for political and practical reasons, could not. Of course it is firmly stressed that the Foundation would as a general rule act with and through other bodies and institutions, public and private, in particular by matching funds.

### Structure and finance

1.2.4. The need to provide the Foundation with maximum room for manoeuvre, the intention to entrust it with the task of promoting private initiatives in the move to achieve European Union, the closeness of its contacts with private organizations and agencies, its dependence on funds other than government grants and the general demand for neutrality mean that the Foundation must be guaranteed maximum autonomy.

The report examines the various types of instrument which could be used to set up the Foundation (an instrument governed by private law, an international agreement between the Member States, a regulation based on Article 235 of the

EEC Treaty) and suggests using a regulation based on Article 235. This would offer a number of important advantages and enable a type of semi-public foundation to be created guaranteed both autonomy and Community supervision. (Similar American experiences have been studied closely.) The Foundation's activities would be of public interest and they should be kept free from fractional or bureaucratic influences. For this reason the Foundation should not create a new bureaucracy, but rather rely in the main on cooperation from outside public and private bodies. In view of the three factors on which the Foundation must be based in accordance with the guidelines of the Tindemans report (active participation of the Member States, the Foundation's Community background and autonomy), it is proposed that some of the members of the Board of the Foundation be nominated jointly by the Governments, others by the European institutions with the remainder to be coopted. The Board would appoint an Executive Committee and the President and Secretary-General.

As it is not possible at present to determine all the priorities for the Foundation's activities, a procedure is proposed for drawing up the programme for its first five years, which would be submitted before its adoption by the Board of the Foundation to the Community institutions for concertation, the whole procedure not to take more than one year. The Foundation would have full independence in carrying out the programme; supervision of its financial management would rest with the European Court of Auditors.

As to financing, the report affirms the need for diversified resources: a Community subsidy, Government subsidies and private contributions. Obviously a substantial Community subsidy will be needed to get the Foundation launched and at any rate partly secure the implementation of the programmes in the first few years. As regards private contributions, the regulation setting up the Foundation should lay down the arrangements for receiving and handling donations and sub-

