

THE EUROPEAN COUNCIL

**LUXEMBOURG
29-30 JUNE 1981**

Documents in the dossier include:

Conclusions

Session of the European Council
Reproduced from *The European Council*
Dossier of the Group of the European People's Party
Luxembourg 1990

Luxembourg European Council

Mandate of 30 May 1980: Commission Report
Reproduced from the Bulletin of the European Communities, No. 6/1981

Meeting of the European Council in Luxembourg

European Community News No. 22/1981
European Community Information Service
Washington DC

Report on the European Council

Statement by Lord Carrington
European Parliament
Strasbourg, 8 July 1981

Session of the European Council

Luxembourg, 29 and 30 June 1981

Conclusions

Economic and social situation

The European Council discussed in depth the present social and economic situation in which the European Community and the Member States find themselves at the time when the first cautious signs of limited improvement in the business cycle are becoming visible, but when the ravages of inflation and unemployment have by no means been brought under control. In the same context the European Council reviewed the Communities' position with regard to the Western economic summit in Ottawa and dealt with the need to preserve and strengthen the Communities' internal market. The European Council discussed these interlocking problems on the basis of a paper presented by the European Commission on the economic and social situation in the Community, the general orientation of which received unanimous approval.

The European Council expressed its firm conviction that by the pursuit of coordinated flexible policies, maintained over a sufficient length of time, the Community will be able to overcome the present social and economic difficulties and return to a situation of economic growth, stability and satisfactory levels of employment. In particular, the problem of mass unemployment, which is a major preoccupation for all the members of the European Council, should not be approached in any spirit of fatalism.

In this light the European Council reviewed the work done by the Joint Council (Economic Affairs, Finance and Social Affairs) and agreed that a sound foundation had been laid for subsequent action. In particular, there was agreement that the highest priority should be accorded to coordinated action against unemployment and inflation, including efforts aimed at structural adjustment.

The major responsibility for these actions lies with national governments and will need to take account of the different economic situations in each Member State and of their particular possibilities and the constraints with which they are faced. But the effectiveness of such action will be increased by coordination within a Community framework. A major effort should be made both at the national and the Community level, to increase investments aimed at higher growth and employment. Investment should be directed in particular to industries with a high innovative potential and which will secure for the Community in the coming decades the place in the industrial world to which it is entitled. The European Council was convinced that investment in energy conservation

and production is of vital importance. Care should be taken not to waste precious funds on economic activities that are bound to decline in importance. In the same connection it was underlined that considerable growth potential is to be found in the sector of small and medium-sized enterprises.

The European Council took note of the fact that in some Member States the reduction in working time is seen as a significant element in the battle against unemployment. It was agreed that further study to evaluate the effects of such measures would be made at the Community level. In this connection, the competitive position of European industries vis-à-vis other industrialized countries deserves close attention.

It was stressed that optimal use should be made of the Community's financial instruments and of the facilities of the European Investment Bank to promote the flow of productive investment. Efforts should also be undertaken to secure a larger economic benefit from the research activities that are under way in the Community and the Member States.

The European Council reaffirmed its commitment to a meaningful social policy by the European Community. It approved the conclusions reached by the Joint Council with regard to the labour market and the problems of unemployment. It took note with interest of suggestions made for the promotion of harmonized working conditions and workers' rights. In this context the term 'espace social' was used. It expressed its conviction that the pursuit of balanced and purposeful social and economic policies requires close consultation with the social partners.

Internal market

The European Council echoed the alarm sounded by the Commission on the state of the internal market, which is increasingly threatened by intentional and unintentional barriers to trade and by the pervasive use of subsidies to ailing industries. The European Council agreed that a concerted effort must be made to strengthen and develop the free internal market for goods and services which lies at the very basis of the European Community and which is the platform from which it conducts its common commercial policy.

Monetary relations with the United States

With regard to the forthcoming meeting of the Western economic summit the European Council stressed the need for a united approach to the problems presented by the level and volatility of interest and exchange rates, as these pose a serious threat to Europe's incipient economic recovery. These issues should be pursued in depth in discussions with the other major monetary powers. Important monetary policy objectives are shared with the USA, but the USA should be urged to take due account of the significant international consequences of its domestic policies. The Community itself should do its part to relieve the strain on monetary policy.

Trade relations with Japan

The European Council also reviewed the Community's relations with Japan, and it was agreed that in Ottawa strong emphasis should be paid to a broad span of questions relating to the smooth functioning of the open and multilateral world trading system, including excessive con-

centration of exports in sensitive sectors. The European Council stressed the need for effective openness of domestic markets, in particular the Japanese market. These issues should be kept under regular review and in doing so the Community should make the fullest possible use of its bargaining power as an entity.

Steel prices

The European Council discussed the serious situation which faces the European steel industry. While welcoming the outcome of the recent Steel Council, the European Council agreed on the urgent need to see steel prices in the European market raised to a more remunerative level and urged the Commission supported by all the Member States to do all in its power to see to it that the steel industry respects the necessary discipline.

North-South dialogue

The European Council approved the report on North-South policy drawn up by the Council (General Affairs) and recommended its approach for subsequent action. It is of the opinion that co-operation with developing countries and the intensification of international economic relations serve the interests of all concerned and that they are necessary not only in order to strengthen the economies of the developing countries but also to promote the recovery of the world economy. It considers it intolerable that widespread poverty and hunger persist in various parts of the developing world.

The European Council was of the opinion that the preparations for the new round of global negotiations should be completed as soon as possible. It emphasized the crucial importance of a positive impetus to be given to this effect by the summit conferences in Ottawa and Cancun.

Implementation of the 30 May 1980 mandate

The European Council had a discussion of the procedure for dealing with the Commission's paper. They confirmed that the implementation of the 30 May 1980 mandate would be a major topic for the meeting in London on 26 and 27 November where appropriate conclusions are to be reached. The European Council asked the General Affairs Council to make thorough and timely preparations for their meeting in November.

The Council will be assisted by a group consisting of one representative of each Member Government who shall be at least of ambassadorial rank. The Commission was invited to continue its contribution and to make appropriate formal proposals in good time.

Declaration on Afghanistan

The European Council notes with deep concern that the situation in Afghanistan remains an important cause of international tension, that Soviet troops remain in Afghanistan and that the sufferings of the Afghan people continue to increase.

The European Council recalls its earlier statements, notably those issued at Venice on 13 June 1980 and Maastricht on 24 March 1981, which stressed the urgent need to bring about a solution which would enable Afghanistan to return to its traditional independent and non-aligned status free from external interference and with the Afghan people having the full capacity to exercise their right to self-determination. In keeping with the resolutions voted by the United Nations, the Islamic Conference and the New Delhi Conference of the Non-Aligned Movement, the European Council has made it clear on several occasions that it will support any initiative which could lead to the desired result.

The European Council considers that the time has come for a fresh attempt to open the way to a political solution to the problem of Afghanistan. They therefore propose that an international conference should be convened as soon as possible, for example in October or November 1981, and that the Conference should consist of two stages, each stage being an integral part of the conference.

The purpose of Stage One would be to work out international arrangements designed to bring about the cessation of external intervention and the establishment of safeguards to prevent such intervention in the future and thus to create conditions in which Afghanistan's independence and non-alignment can be assured.

The European Council proposes that in due course the Permanent Members of the United Nations Security Council, Pakistan, Iran and India and the Secretary-General of the United Nations and the Secretary-General of the Islamic Conference, or their representatives, be invited to participate in Stage One of the Conference.

The purpose of Stage Two would be to reach agreement on the implementation of the international arrangements worked out in Stage One and on all other matters designed to assure Afghanistan's future as an independent and non-aligned State.

Stage Two would be attended by the participants in Stage One together with representatives of the Afghan people.

The Member States of the European Community will be ready at a later stage to make further proposals on the detailed arrangements for the proposed conference.

The European Council firmly believes that the situation in Afghanistan continues to demand the attention of the international community. It is convinced that this proposal offers a constructive way forward and therefore calls on the international community to support it fully with the aim of reducing international tension and ending human suffering in Afghanistan.

Middle East

The European Council noted the report of the Presidency as well as Mr van der Klauw's oral comments on his contacts with the parties concerned with the Middle East conflict.

It concluded that the efforts undertaken by the Ten to promote the conclusion of a peaceful settlement should be continued energetically and without respite, taking account of the results of the missions decided upon in Venice.

Accordingly, the European Council (decided on the basis of the results of the mission just completed by the President-in-Office, to instruct ministers to elaborate further the practical possibilities available to Europe to make an effective contribution towards a comprehensive peace settlement in the Middle East, through internal reflection, appropriate contacts being maintained with all parties concerned, including the United States.

As regards the attack by the Israeli air force on the Iraqi nuclear plant on 7 June 1981 the European Council can only endorse the resolution adopted unanimously by the UN Security Council.

Lebanon

Recalling its earlier statements concerning Lebanon, the European Council noted with interest the results of the work of the Arab Quadripartite Committee. The Council earnestly hoped that positive results would be obtained at the Committee's next meeting in Beit-ed-Dine, so as to achieve a genuine national reconciliation, which can give Lebanon internal security and foster its stability in peace with its neighbours.

Cambodia

The European Council recalls the position it has adopted in favour of an independent and neutral Cambodia with a genuinely representative government, free from any foreign military presence and maintaining friendly relations with all the countries of the region.

Convinced that a genuine solution to the problem of Cambodia will be possible only on the basis of the United Nations General Assembly Resolution 35/6, the Ten declare their readiness to contribute to the success of the International Conference on Cambodia called by the UN Secretary-General.

The European Council noted the future Presidency's intention to be represented there by its Foreign Minister.

Namibia

The European Council discussed the question of Namibia. It reaffirmed its resolve to do what lies in its power to promote an early peaceful settlement through negotiations on the basis of Resolution 435 of the UN Security Council. In this context, it continues to encourage the efforts of the group of five Western powers.

1. Luxembourg European Council

1.1.1. The European Council met in Luxembourg on 29 and 30 June with Mr Andries van Agt, Prime Minister of The Netherlands and President of the European Council and of political cooperation, in the chair. The Commission was represented by Mr Gaston Thorn and Mr François-Xavier Ortoli. This was the first European Council to be attended by Mr François Mitterrand, President of the French Republic, and by Mr Giovanni Spadolini and Mr Mark Eyskens, the Italian and Belgian Prime Ministers.

Discussions were dominated by the economic and social situation, but the European Council also made preparations for the Western Summit in Ottawa and considered relations with the United States and Japan. At France's request, the Commission's report on the mandate of 30 May 1980 was not considered in detail, but a procedure was agreed and the report will be discussed at the meeting to be held at the end of November. Lastly, the European Council discussed the international political situation, with special reference to the Middle East, Lebanon, Cambodia and Namibia. It made an official declaration on Afghanistan.

1.1.2. As usual, the Commission contributed to the preparations by providing a series of papers. These dealt with the North-South Dialogue, the economic and social situation in the Community, trade relations with the United States and Japan, and its report on the mandate of 30 May 1980, which was sent direct to the Heads of State or Government.

1.1.3. The outcome of discussions on 'Community' subjects dealt with in Luxembourg was summarized by the Presidency. The summary was accompanied by a declaration and documents concerned with European political cooperation.

'Community' problems: the Presidency's summary

1.1.4. The following is the full text of the summary issued by the Presidency to the national delegations and made public after the

meeting. It covers the economic and social situation and prospects, the internal market, relations with the United States and Japan in the context of the forthcoming Western Summit in Ottawa, steel prices, the North-South Dialogue and the mandate of 30 May 1980.

Economic and social situation

1.1.5. 'The European Council discussed in depth the present social and economic situation in which the European Community and the Member States find themselves at the time when the first cautious signs of limited improvement in the business cycle are becoming visible, but when the ravages of inflation and unemployment have by no means been brought under control. In the same context the European Council reviewed the Communities' position with regard to the Western Economic Summit in Ottawa and dealt with the need to preserve and strengthen the Communities' internal market. The European Council discussed these interlocking problems on the basis of a paper presented by the European Commission on the economic and social situation in the Community, the general orientation of which received unanimous approval.

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employment. Investment should be directed in particular to industries with a high innovative potential and which will secure for the Community in the coming decades the place in the industrial world to which it is entitled. The European Council was convinced that investment in energy conservation and production is of vital importance. Care should be taken not to waste precious funds on economic activities that are bound to decline in importance. In the same connection it was underlined that considerable growth potential is to be found in the sector of small and medium-sized enterprises.

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Internal market

1.1.6. The European Council echoed the alarm sounded by the Commission on the state of the internal market, which is increasingly threatened by intentional and unintentional barriers to trade and by the pervasive use of subsidies to ailing industries. The European Council agreed that a concerted effort must be made to strengthen and develop the free internal market for goods and services which lies at the very basis of the European Community and which is the platform from which it conducts its common commercial policy.'

Monetary relations with the United States

1.1.7. 'With regard to the forthcoming meeting of the Western Economic Summit the European

Council stressed the need for a united approach to the problems presented by the level and volatility of interest and exchange rates, as these pose a serious threat to Europe's incipient economic recovery. These issues should be pursued in depth in discussions with the other major monetary powers. Important monetary policy objectives are shared with the USA, but the USA should be urged to take due account of the significant international consequences of its domestic policies. The Community itself should do its part to relieve the strain on monetary policy.'

Trade relations with Japan

1.1.8. 'The European Council also reviewed the Community's relations with Japan, and it was agreed that in Ottawa strong emphasis should be paid to a broad span of questions relating to the smooth functioning of the open and multilateral world trading system, including excessive concentration of exports in sensitive sectors. The European Council stressed the need for effective openness of domestic markets, in particular the Japanese market. These issues should be kept under regular review and in doing so the Community should make the fullest possible use of its bargaining power as an entity.'

Steel prices

1.1.9. 'The European Council discussed the serious situation which faces the European steel industry. While welcoming the outcome of the recent Steel Council, the European Council agreed on the urgent need to see steel prices in the European market raised to a more remunerative level and urged the Commission supported by all the Member States to do all in its power to see to it that the steel industry respects the necessary discipline.'

North-South Dialogue

1.1.10. 'The European Council approved the report on North-South policy drawn up by the Council (General Affairs) and recommended its approach for subsequent action. It is of the opinion that cooperation with developing countries and the intensification of international economic relations serve the interests of all concerned and that they are necessary not only in order to strengthen the economies of the developing countries but also to promote the recovery of the world economy. It considers it intolerable that widespread poverty and hunger persist in various parts of the developing world.

The European Council was of the opinion that the preparations for the new round of global negotiations should be completed as soon as poss-

ible. It emphasized the crucial importance of a positive impetus to be given to this effect by the summit conferences in Ottawa and Cancun.'

Implementation of the 30 May 1980 mandate

1.1.11. 'The European Council had a discussion of the procedure for dealing with the Commission's paper. They confirmed that the implementation of the 30 May 1980 mandate would be a major topic for the meeting in London on 26 and 27 November where appropriate conclusions are to be reached. The European Council asked the General Affairs Council to make thorough and timely preparations for their meeting in November.

The Council will be assisted by a Group consisting of one representative of each Member Government who shall be at least of Ambassadorial rank. The Commission was invited to continue its contribution and to make appropriate formal proposals in good time.'

European political cooperation

1.1.12. The European Council discussed the overall political situation and paid attention in particular to Afghanistan, the Middle East, Lebanon, Cambodia and Namibia. On Afghanistan they issued a separate formal declaration.

Declaration on Afghanistan

1.1.13. 'The European Council notes with deep concern that the situation in Afghanistan remains an important cause of international tension, that Soviet troops remain in Afghanistan and that the sufferings of the Afghan people continue to increase.

The European Council recalls its earlier statements, notably those issued at Venice on 13 June 1980 and Maastricht on 24 March 1981, which stressed the urgent need to bring about a solution which would enable Afghanistan to return to its traditional independent and non-aligned status free from external interference and with the Afghan people having the full capacity to exercise their right to self-determination. In keeping with the Resolutions voted by the United Nations, the Islamic Conference and the New Delhi Conference of the Non-Aligned Movement, the European Council has made it clear on several occasions that it will support any initiative which could lead to the desired result.

The European Council considers that the time has come for a fresh attempt to open the way to

a political solution to the problem of Afghanistan. They therefore propose that an international conference should be convened as soon as possible, for example in October or November 1981, and that the Conference should consist of two stages, each stage being an integral part of the conference.

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The Member States of the European Community will be ready at a later stage to make further proposals on the detailed arrangements for the proposed conference.

The European Council firmly believes that the situation in Afghanistan continues to demand the attention of the international community. It is convinced that this proposal offers a constructive way forward and therefore calls on the international community to support it fully with the aim of reducing international tension and ending human suffering in Afghanistan.'

Other matters

Middle East

1.1.14. 'The European Council noted the report of the Presidency as well as Mr van der Klaauw's oral comments on his contacts with the parties concerned with the Middle East conflict.

It concluded that the efforts undertaken by the Ten to promote the conclusion of a peaceful settlement should be continued energetically and without respite, taking account of the results of the missions decided upon in Venice.

Accordingly, the European Council decided on the basis of the results of the mission just com-

