

THE EUROPEAN COUNCIL

**PARIS
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Documents in the dossier include:

The European Council in Paris

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Effective entry into force of the European Monetary System

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1. The European Council in Paris

Paris European Council

Entry into force of the EMS, economic and social situation, agricultural policy, energy problems

1.1.1. The European Council, which met in Paris on 12 and 13 March with Mr Giscard d'Estaing presiding, discussed a series of topics which have come up fairly frequently at previous meetings, notably economic growth and employment, and the common agricultural policy, but also the energy issue which has acquired renewed importance and has become an important factor in the other items discussed by the Council. The other outstanding achievement was, of course, the entry into force of the European Monetary System, which had been held up since December 1978.

The Commission had made a substantial contribution towards preparations for the European Council, in which it participated, by submitting a series of communications on the economic and social situation in the Community, the utilization of Community instruments and the increased convergence of economic performance in the Member States, employment and the social policy, the Community energy policy, and also the paper on the future development of the common agricultural policy,¹ which was intended for the December 1978 meeting but could not be discussed until three months later.

The outcome of the European Council in Paris

1.1.2. On the first day the Council issued a communiqué on the introduction of the European Monetary System,² following the con-

sensus regarding monetary compensatory amounts reached at the Council meeting on agriculture on 5 and 6 March. The matters discussed by the Heads of State or Government were set out as usual in the 'Conclusions of the Presidency'. Comments on the proceedings were made at press conferences and in statements immediately after the meeting and before the European Parliament two days later.

'Conclusions of the Presidency'

1.1.3. The 'Conclusions of the Presidency' released at the end of the European Council were as follows:¹

'The European Council had a broad exchange of views on the situation in the Community in the light of the latest developments on the world political and economic scene. It noted that these developments involved new risks and considerable uncertainty. The Community must face them resolutely. By further strengthening its cohesion and improving its internal equilibrium, it will be able to make an effective contribution to international economic development and the consolidation of world peace.'

Economic and social situation

1.1.4. The European Council noted that although there were several positive factors, the economic and social situation in the Community remained unsatisfactory in various respects.

¹ Bull. EC 11-1978, point 3.5.1.

² Bull. EC 2-1979, preliminary chapter.

³ The numbering at the beginning of each main heading of the 'Conclusions of the Presidency' has been added by the editorial staff of the Bulletin.

Owing, in particular, to the concerted action laid down by the European Council in July 1978, which should be continued unflinchingly, a resumption in growth has been observed in most Member States. It should continue during the coming months unless the world economic situation is disturbed by a continuation of the tensions now being experienced on the oil market. In this respect, the European Council asked the Council (Ministers for the Economy and for Finance) to examine the possible consequences of these tensions on the Community's economic prospects.

While the rise in prices slowed down in 1978 and the differences between the rates of inflation in the various Member States were reduced, further tensions have become apparent in the first months of 1979. The fight against inflation must therefore continue to be the first objective of economic policy in the Member States, and primarily of those where prices are still rising fast. Its success is an essential condition for establishing the basis for stable and lasting growth. The European Council also noted that growth is currently strong in those countries with the lowest rates of inflation.

The balance of payments situation has improved in several Member States. However, there are still excessive differences between the various countries, which will have to be reduced. It is also likely to be compromised by the deterioration of the world oil situation.

In this context, the European Council noted that trade relations between Japan and the Community continue to be seriously out of balance, to the detriment of the latter. It expressed the wish that the consultations which the Commission has started with the Japanese Government should lead this year

to substantial progress towards opening up the Japanese market to imports of manufactured goods from the Community. The European Council also acknowledged the importance of the implementation of the Japanese Government's expressed intention to increase its official development aid significantly.

In spite of the resumption in growth, the employment situation continues to be a major anxiety. The continuation of the efforts made to improve economic structures is an essential factor for increasing employment. These efforts will have to be supplemented by specific measures designed to help to reduce unemployment.

Employment and social policy

1.1.5. The European Council devoted a large part of its proceedings to the employment situation and social policy. It acknowledged that priority should be given to improving the employment situation, which continues to give rise to concern.

The European Council emphasized the importance of consultation with both sides of industry at the national and Community levels. It welcomed the contribution by the Economic and Social Committee. The European Council noted with satisfaction the intention of the Ministers for Social Affairs to take the necessary measures to improve the work of the Community tripartite meetings between workers' representatives' organizations, employers' representatives' organizations and the Community. It invited both sides of industry to take the appropriate steps to develop their dialogue at Community level, where appropriate on a sectoral basis.

The European Council confirmed the importance it attached to improving youth employment and its wish that the Council keep the

new aids from the Social Fund in favour of this category under review. It instructed the Council to study the following measures which should help, along with others, to improve the employment situation:

- to make training better adapted to employment by developing staggered training schemes, i.e. by coupling practical training obtained through the exercise of an occupation at the place of work with theoretical training in a training establishment, body or department;
- to limit the systematic use of overtime;
- to improve the employment of women by encouraging diversification of the jobs open to them and giving women greater access to vocational training.

The European Council stressed the importance of the social measures taken by the Community in favour of workers in the iron and steel industry and other sectors in difficulty.

The European Council requested the Commission to continue its efforts to improve the effectiveness of the European Social Fund's action by directing its assistance more selectively in order to meet the current employment difficulties better.

The Council also noted the importance of a coordinated contribution by the various Community financial instruments to the intensification of the fight against unemployment.

The European Council requested the Council to report back to it at its next meeting on the practical measures which have been carried out following the guidelines given above.

The European Council asked the Commission to submit a communication on the social and economic implications of concerted work-sharing.

Energy

1.1.6. The European Council observes that the current state of the world oil market confirms the urgent need to implement the decisions taken by the Community to reduce its dependence and contribute to an improved world energy balance.

The Community must accordingly continue and intensify its action in order to reach its medium-term objectives and to improve its immediate situation.

The Member States renew the undertaking given in Bremen in 1978 to reduce the level of the Community's dependence on energy imports to 50% by 1985. By that date the Community will limit its oil imports to the level reached in 1978. In 1979 the Community and the Member States will pursue a policy designed to reduce oil consumption to 500 million tonnes, i.e. around 25 million tonnes less than estimated.

The Community and the Member States will step up their efforts to make the best possible use of Community hydrocarbon and coal resources. The programmes for the production of electricity from nuclear sources must be strengthened and speeded up whenever conditions so permit; the use of solar and geothermal energy must likewise be further developed.

With regard to energy saving, the new measures taken at national or Community level must not adversely affect the level of economic activity in the Member States and will therefore be aimed particularly at the consumption of energy by Government departments and public authorities, heating of business and residential premises and at a more rational use of energy by motor vehicles. The price policies of the Member States

must be designed to contribute to the attainment of these objectives.

The Council (Energy) will initiate an examination of the energy policies of the Member States. As regards production, it will ensure that these policies are convergent and will adopt joint objectives to support this convergence. It will adopt the necessary provisions at Community level to pursue the development of oil technologies, promote the use of coal and nuclear energy and make use of new sources of energy through an increased research and development effort and through demonstration projects.

As regards energy saving, the Council (Energy) will ensure that the Member States' policies are comparable, with particular reference to the efforts which they make to contribute to the solution of the current difficulties.

It will carry out the desired harmonization and will determine any additional means of intervention which might be applied at Community level.

To enable the Community and the Member States to face crisis situations:

- the competent institutions of the Community must finalize the Community crisis mechanism, the principles of which were adopted in 1977;
- the Council (Energy) will regularly take stock of national measures.

The European Council affirms its conviction that the present tension on the oil markets creates a worrying situation; any worsening in this situation would constitute a serious danger for the world economy.

Maintaining the balance of the world energy market presupposes major efforts by all countries: by importing countries, in particular the United States, Japan and the Com-

munity, which must slow down the growth in their requirements, and by producer countries which are responsible for the balanced management of their resources, thereby enabling the development of the world economy to continue.

In addition, the Community emphasizes the necessity of the dialogue with the producer countries. It supports the statement in which the Government of Saudi Arabia calls for rapid consultations between consumer and producer countries. It also supports the proposals recently made by the President of Mexico, Mr Lopez Portillo, regarding worldwide consultation on world energy problems.

The European Council emphasizes, in this connection, the need for the Community to supplement urgently its approach towards supply problems, particularly by as extensive and accurate a knowledge as possible of the quantities of oil and petroleum products imported into the Community, together with their prices, so that a full dialogue may be undertaken with the producers on the real state of the market. The European Council invites the Council (Energy) and the Commission to adopt, as a matter of urgency, all the necessary measures, particularly with regard to monitoring of the market.

Convergence

1.1.7. The implementation of the EMS, which will constitute an important contribution towards the development of stable and lasting growth in the Community, must be supported by increased convergence of the economic policies and performances of the Member States.

The European Council invited the Council (Economics and Finance) to strengthen the means of coordinating economic policies, on

a proposal from the Commission. It took note with interest of suggestions which the Netherlands delegation made in this connection.

Achievement of the convergence of economic performances requires measures for which the Member States concerned are primarily responsible, but in respect of which Community policies can and must play a supporting role within the framework of increased solidarity.

The European Council took note of the communication which it had requested the Commission to draw up on this subject. It had an exchange of views on the means of arriving at improved convergence.

It emphasized the need for the Community institutions to ensure more efficient use of the existing instruments in order to attain this objective.

It invited the Council and the Commission to examine in depth how the Community could make a greater contribution, by means of all its policies taken as a whole, to achieving greater convergence of the economies of the Member States and to reduce the disparities between them.

To this end, it asked the Council to examine, in the light of the above guidelines, what action should be taken on the proposals contained in the above communication from the Commission and to submit a report at the next meeting of the European Council.

Common agricultural policy

1.1.8. The European Council had a detailed exchange of views on the common agricultural policy, in the light of a communication from the Commission. It confirmed the importance which it attaches to the funda-

mental objectives of this policy, which is one of the achievements in the construction of Europe.

It noted that growing imbalances on agricultural markets have led to an increase in expenditure on agricultural support.

It considered that a prices policy suited to the situation and a search for measures adapted to each type of production are likely to correct the imbalances which have become apparent on certain markets and to avoid the build-up of surpluses.

The European Council expressed its interest in the improvement of the agricultural structures policy, particularly in favour of the least-favoured regions of the Community, and invited the Commission to submit additional proposals in this sector.

Also, with a view to enlargement, the Council hoped that the efforts to improve structures undertaken in favour of the Mediterranean regions would be continued so that the interests of all agricultural producers in the Community received equal consideration.

The European Council invited the Council (Ministers for Agriculture) to examine those improvements which are necessary for the proper functioning of the common agricultural policy with due regard to the objectives laid down in the Treaty of Rome.'

Comments and statements

1.1.9. At the end of the European Council in Paris, President Giscard d'Estaing, who had presided over the meeting, and Mr Jenkins, President of the Commission, held a press conference, while other statements were made, notably by Mr Callaghan, British Prime Minister.

The initial comments

1.1.10. The President of France, Mr Giscard d'Estaing, stressed the importance of the decision taken during the European Council to start up the European Monetary System. He also commented on the 'Conclusions of the Presidency', giving an analysis of the results of the meeting.

Mr Jenkins, in a brief statement, said that he considered social policy, energy and agriculture to be areas in which the European Council had made significant progress. He also stressed that the entry into force of the EMS was of fundamental importance.

Mr Callaghan, the British Prime Minister, emphasized the need for the countries of Europe to work together to tackle current problems, but he restated the United Kingdom position, which on various issues differs from that of the other Member States. In particular he criticized the common agricultural policy on account of its wastefulness. With regard to the EMS, Mr Callaghan recognized the need for a convergence of economic policies, but insisted that Member States' net payments to the Community budget should reflect more faithfully the specific circumstances of each country.

Statements to the European Parliament

1.1.11. On 15 March Mr François-Poncet, the French Minister of Foreign Affairs, speaking in his capacity as President of the Council, made a statement to the European Parliament on the outcome of the European Council.

He said that since 13 March the EMS had at last been operating. On the agricultural issue, which was the reason for the delayed intro-

duction of the EMS, there could be no question of a whole sector of the Community economy being left outside the System. The EMS was not a simple joint float mechanism for the currencies involved, backed up by an array of credit arrangements, but the ECU was to be a *numeraire* in the full sense of the term, which would be exchanged among the central banks and in which a significant proportion of their monetary reserves would be denominated. The launching of the EMS was undoubtedly but a first step on the road to the eventual creation of a common European currency. In addition, the EMS provided for very elaborate rules governing intervention and for substantial monetary reserves of 25 000 million ECU.

Mr François-Poncet stated that the European Council had not discussed the dispute between the Council and Parliament on the budget question. However, the Council had begun to study the new budgetary proposals put forward by the Commission and a special Council meeting (budget) would be held to examine them. The French Foreign Minister appeared to take a conciliatory line when he said that there could be no question of interfering with Parliament's prerogatives.

On the question of economic growth and unemployment the European Council noted that growth in 1979 was expected to reach its highest level since 1976, exceeding the rate of growth expected in the United States. An improvement in the employment situation was dependent on sustained economic restructuring measures and also on the following specific measures in particular: youth employment schemes, sandwich courses, restrictions on overtime, improved employment opportunities for women.

The Heads of State or Government stressed the importance of social measures by the Community to assist industries in difficulty,

in particular the steel industry. The Community's financial instruments should be coordinated in order to combat unemployment. The Commission has been asked to forward to the Council a communication on the social and economic implications of reorganizing working hours.

The President of the Council stated that the European Council had also discussed the convergence of the economic policies of the Member States. Community policies should be a reinforcement for national action rather than a substitute for it; better use must be made of the Community instruments available and funds must be increased.

Referring to the common agricultural policy Mr François-Poncet said that the European Council had reaffirmed its belief in the policy, though acknowledging that it had its faults, particularly that it was inclined to create an imbalance on the markets resulting in increased expenditure in agricultural price support. The solution therefore was to have a prices policy to match the situation and to take appropriate measures for each product. Further structural improvement in the Mediterranean regions was also necessary. The Agriculture Ministers should study, in the light of all this, how the common agricultural policy might be made to function more smoothly.

The European Council also agreed on the first guidelines for a common energy policy, based on the harmonization of national measures supplemented, where Community involvement might be appropriate, by the adoption of common measures. On a practical level, it was proposed to reduce oil imports by 1985 to the 1978 level (rate of dependence to fall from 56 to 50%). This would be achieved in particular through energy savings, the development of domestic

resources, and the use of nuclear energy and new forms of energy. The Energy Ministers would have to ensure the convergence of Member States' production policies and agree on common objectives. In addition, the European Council decided that the French Government should make contact with the oil producers with a view to establishing the producer-consumer dialogue desired by Saudi Arabia.

Finally, President Giscard d'Estaing had submitted to the European Council a proposal for a forum of European, African and Arab countries which would seek to create the type of mutual solidarity called for in view of their shared economic interests and their desire for independence. The super powers have established between themselves a close network of contacts, which extends to an objective alliance of interests in different spheres. The European, African and Arab countries, according to Mr François-Poncet, should endeavour to do the same. The European Council had approved this suggestion and preliminary contacts would be made.

1.1.12. Mr Roy Jenkins, President of the Commission, expressed—as he had done in Paris—his immense satisfaction at the launching of the EMS and reiterated the importance which the European Council had attached to the convergence of economic policies and social problems.

Mr Jenkins also expressed the desire to see a common energy policy introduced and, while recognizing the need to improve the operation of the common agricultural policy which was currently experiencing problems due to imbalances on the markets and the financing of surpluses, expressed satisfaction that the European Council had confirmed the fundamental objectives of the policy.

Effective entry into force of the European Monetary System

The European Monetary System (EMS)—which the European Council decided to establish when it met in Brussels on 4 and 5 December 1978¹—began effectively operating on 13 March.

The decision was taken by the European Council in Paris on 12 and 13 March. The following communiqué was issued:

‘Noting that all the conditions had now been met for the implementation of the exchange mechanism of the European Monetary System, as defined at the previous meeting of the Council on 4 and 5 December 1978, the European Council, meeting in Paris on 12 March 1979, resolved to implement it as from Tuesday 13 March 1979 as soon as the exchange markets opened.’

This was made possible by France’s decision to withdraw its reservation on the adoption of the regulations for implementing the new system,² following the Council meeting on agriculture on 5 and 6 March, in the course of which a broad consensus emerged on various aspects of a package of agri-monetary measures.³

The main points of the agreement related to the dismantling of existing monetary compensatory amounts and the procedure to be followed in respect of new MCAs.

¹ Bull. EC 12-1978, point 1.1.11.

² Bull. EC 12-1978, points 1.1.4 and 1.1.5.

³ Point 2.1.55.