

THE EUROPEAN COUNCIL

COPENHAGEN

7-8 April 1978

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Session of the European Council

Reproduced from *The European Council*

Dossier of the Group of the European People's Party

Luxembourg 1990

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Reproduced from the Bulletin of the European Communities, No. 3/1978

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Reproduced from the Bulletin of the European Communities, No. 3/1978

Session of the European Council

Copenhagen, 7 and 8 April 1978

Conclusions

Date of the election to Parliament

The Heads of State and of Government note with satisfaction that the legislative procedures in the member countries for the holding of direct general elections to the Assembly are now nearing completion. After examining dates suitable for the election they have reached agreement that the election to the Assembly shall be held from 7 to 10 June 1979.

Declaration on democracy

The election of the Members of the Assembly by direct universal suffrage is an event of outstanding importance for the future of the European Communities and a vivid demonstration of the ideals of democracy shared by the people within them.

The creation of the Communities, which is the foundation of ever closer union among the peoples of Europe called for in the Treaty of Rome, marked the determination of their founders to strengthen the protection of peace and freedom.

The Heads of State and of Government confirm their will, as expressed in the Copenhagen Declaration on the European Identity, to ensure that the cherished values of their legal, political and moral order are respected and to safeguard the principles of representative democracy, of the rule of law, of social justice and of respect for human rights.

The application of these principles implies a political system of pluralist democracy which guarantees both the free expression of opinions within the constitutional organization of powers and the procedures necessary for the protection of human rights.

The Heads of State and of Government associate themselves with the Joint Declaration by the Assembly, the Council and the Commission whereby these institutions expressed their determination to respect fundamental rights in pursuing the aims of the Communities.

They solemnly declare that respect for and maintenance of representative democracy and human rights in each Member State are essential elements of membership of the European Communities.

Economic and social situation

The European Council agreed that the Community and its Member Countries will over the coming three months develop a common strategy designed to reverse the present unsatisfactory trend in the Community's economic and social situation. The European Council was convinced that this course of action will constitute an important contribution to overall international action to promote world economic recovery. It will at the same time facilitate progress towards Economic and Monetary Union.

The common strategy will cover economic and monetary affairs, employment, energy, trade, industrial affairs, and relations with the developing world.

The European Council asked the Council (General Affairs) to coordinate the efforts of the Council in its various formations, and to prepare the necessary conclusions of the European Council at its session in July 1978.

1. The Council considers it essential that the Community will have achieved an annual growth rate of 4,5% by the middle of 1979.

With this in mind the Community will, in the coming months, assess the effects of present national economic policies and on this basis define the need for - and in appropriate cases - the margin of manoeuvre open to Member States for coordinated additional measures designed to realize the necessary growth within the Community.

During the same period the Community will, through common measures, support the action of Member States and make better use of existing common facilities to alleviate present restraints on Member Countries' possibilities for action. In this connection the Council referred to the so-called Community Loan Facility. It also invited the Governing Board of the EIB to adopt at its meeting in June a decision to double the capital of the Bank.

2. The European Council discussed the need for increased monetary stability both within the Community and on a world-wide basis. In this context it recognized the need to avoid disruptive capital flows.
3. The European Council expressed its deep concern over the persistent high rate of unemployment and agreed that an improvement in the employment situation is a key objective of the common overall strategy of the Community. It stressed the importance of the Community's growth objective in this context.

The European Council agreed that the need for complementary specific measures to combat unemployment, particularly with respect to young people, should be examined.

The European Council agreed with the Standing Committee on Employment that the best way of dealing with unemployment is to create new jobs through active economic, employment and investment policies, but considered that it should be further examined whether work-sharing measures could have a supplementary part to play in alleviating the present grave employment problems.

4. The European Council was convinced that sustained international economic stability depends significantly on vigorous efforts in all industrialized countries to reduce dependence on imported oil through energy savings and increased energy production.

The European Council agreed that the high demand for imported oil is a critical problem for the Community. More comprehensive and vigorous efforts at national and Community level to reduce demand and increase supply of energy within the Community are urgently needed. It recognized that this presupposes large scale investments. Such efforts will be given high priority, because they will at the same time promote economic activity, create new jobs and improve the balance of payments.

5. The European Council agreed that sustained growth in world trade is essential for the promotion of world economic recovery. Therefore protectionist tendencies must be resisted. A rapid and successful conclusion of the multilateral trade negotiations will increase confidence in the world trade system.

The European Council agreed that further progress should be made to eliminate obstacles to the free movement of goods within the Community.

6. The European Council emphasized the need to restore the competitiveness of industries in distress. This remains the basic aim of national and Community policies in this field.

In this connection it underlined the necessity to set up tripartite frameworks on a European level to overcome the serious problems of structural over-capacity in several industries and to promote an industrial structure that can maintain itself in world-wide competition.

7. The European Council pointed out that the pursuit of greater internal cohesion implying also a reduction in regional imbalances, constitutes one of the key objectives of the Community enterprise.
8. The European Council recalled the resolutions of the Council of Ministers of November 1975 and July 1976, recognizing the need for a re-examination of the agricultural problems affecting the Mediterranean regions of the Community.

In this spirit the European Council was of the opinion that the Council (Agriculture) should endeavour to reach a decision by the end of April taking into account the proposals from the Commission.

9. The European Council noted that an overall increase in the flow of aid to the developing countries will facilitate their possibilities of playing a greater part in a general recovery of the world economy.

The European Council reaffirmed the will of the Community to contribute constructively to progress in the North-South dialogue in order to promote a more just and equitable world economic order.

10. The European Council asked the Council in its various formations to take the necessary steps over the coming three months towards the achievement of the objectives mentioned above.

Japan

The European Council heard the report from the President of the Commission on the progress made in fulfilling the mandate given to him by the European Council at its last meeting in December to continue and intensify his consultations with the Japanese Government with special reference to Japanese balance-of-payments surpluses in the context of the world economy as a whole.

The European Council agreed that the EEC-Japan joint communiqué of 24 March could be regarded only as a first step in continuing consultations which will be pursued vigorously with the Japanese Government on the basis of the guidelines agreed by the Council of Ministers in February. The European Council noted with approval the conclusions reached by the Council of Ministers on 3 and 4 April and drew attention to the need for Japan to take appropriate measures for the rapid reduction of its current account surplus, which continues to cause concern.

The European Council asked the President of the Commission and the Council of Ministers to keep the question under review and complete the report to be considered at its next meeting in July.

Marine pollution

After hearing a statement by the President of the French Republic concerning the running aground of an oil tanker on the French coast, and bearing in mind the measures already taken and the proposals already put forward by the Commission and by some Member States concerning the fight against pollution and the imposition of minimum standards on ships, the European Council:

1. considers that the Community should make the prevention and combating of marine pollution, particularly from hydrocarbons, a major objective;
2. consequently invites the Council, acting on proposals from the Commission, and the Member States forthwith to take appropriate measures within the Community and to adopt common attitudes in the competent international bodies concerning in particular:
 - (a) the swift implementation of existing international rules, in particular those regarding minimum standards for the operation of ships;

- (b) the prevention of accidents through coordinated action by the Member States:
 - with regard to a satisfactory functioning of the system of compulsory shipping lanes, and
 - with regard to more effective control over vessels which do not meet the standards;
- (c) the search for and implementation of effective measures to combat pollution.

European Foundation

In pursuance of the decision of principle taken at the meeting of the European Council on 5 and 6 December 1977, the Heads of State and of Government laid down the scope and objectives of the Foundation and agreed on the framework for its structure and financing. The European Council decided that formal discussions on setting up the Foundation should be conducted as soon as possible.

The seat of the Foundation will be Paris.

Terrorism

The European Council declared its deep distress at the kidnapping of Aldo Moro and the murder of his escort. The Council wished in this connection to express its complete solidarity with the Italian people and Government.

The Council expressed its great concern at the continually increasing number of acts of this kind and at the extension of terrorism in general which, if not effectively combated, will strike at the functioning and the very principles of democracy. The Council stressed that the nine Member States were firmly resolved to do everything to protect the rights of individuals and the foundations of democratic institutions.

The European Council agreed that high priority must be given to efforts to intensify cooperation among the Nine to defend our societies against terrorist violence.

It was agreed that the relevant Ministers will increase their mutual cooperation and will as soon as possible submit their conclusions on the proposals before them for a European judicial area.

Political cooperation

Namibia

The European Council took note of the proposal for a settlement in Namibia prepared by the Five Powers. The Council supports the action of the Five and considers the proposal to be a fair and reasonable settlement. It hopes that all the parties involved will feel able to accept this important opportunity for a negotiated peaceful solution in accordance with Security Council Resolution 385.

At the European Council in Copenhagen

Meeting in Copenhagen on 7 and 8 April, the European Council issued the following statements on the election of the members of the European Parliament by direct universal suffrage and on democracy:¹

Date of the election to Parliament

'The Heads of State and of Government note with satisfaction that the legislative procedures in the member countries for the holding of direct general elections to the Assembly are now nearing completion. After examining dates suitable for the election they have reached agreement that the election to the Assembly shall be held from 7 to 10 June 1979.'

*

The President of Parliament, Mr Emilio Colombo welcomed the decision with the following statement:

'It is with great satisfaction that I learn that the European Council, meeting today in Copenhagen, has given the commitment that the definitive date for the direct elections by universal suffrage to the European Parliament will be fixed for the period 7 to 10 June 1979.'

This commitment meets the wish which the European Parliament has on several occasions communicated to the governments.

I should like to emphasize the importance of this commitment which will transform the European Community into the Europe of the people.

Europe, with a Parliament elected by direct universal suffrage, will have received a new stimulus towards its union. This will help to solve the grave problems we are at present facing in the economy and the social sector.

The commitment made today will set in motion the procedure and the European Parliament will deliver its opinion at the earliest opportunity.'

Declaration on democracy

'The election of the Members of the Assembly by direct universal suffrage is an event of outstanding importance for the future of the European Communities and a vivid demonstration of the ideals of democracy shared by the people within them.'

The creation of the Communities, which is the foundation of ever closer union among the peoples of Europe called for in the Treaty of Rome, marked the determination of their founders to strengthen the protection of peace and freedom.

¹ Reports on the other items discussed at the European Council will appear in Bull. EC 4-1978.

The Heads of State and of Government confirm their will, as expressed in the Copenhagen Declaration on the European identity, to ensure that the cherished values of their legal, political and moral order are respected and to safeguard the principles of representative democracy, of the rule of law, of social justice and of respect for human rights.

The application of these principles implies a political system of pluralist democracy which guarantees both the free expression of opinions within the constitutional organization of powers and the procedures necessary for the protection of human rights.

The Heads of State and of Government associate themselves with the Joint Declaration by the Assembly, the Council and the Commission whereby these institutions expressed their determination to respect fundamental rights in pursuing the aims of the Communities.

They solemnly declare that respect for and maintenance of representative democracy and human rights in each Member State are essential elements of membership of the European Communities.'

BACKGROUND INFORMATION

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BACKGROUND NOTE

No. 8/1978

April 26, 1978

EUROPEAN COUNCIL AGREES ON JOINT ECONOMIC MOVES AND SETS DATE FOR DIRECT ELECTIONS

The nine member states of the European Community have agreed to draw up a common economic strategy to combat the recession and have set June 7 to 10, 1979, as the dates for the first direct elections to the European Parliament.

Those were the two major decisions to emerge from the European Council, at its latest meeting in Copenhagen on April 7 and 8.

The European Council which meets three times a year, is composed of the heads of government of the nine member states of the European Community: Belgium, Denmark, France, Ireland, Italy, Luxembourg, the Netherlands, the United Kingdom and West Germany.

The economic strategy will be hammered out over the next three months, in time for the European Council's next meeting in Bremen on July 6,7. At that meeting the European Community is expected to decide on the common economic position it will present at the Western economic summit in Bonn, which will take place later in the same month and be attended by U.S. President Jimmy Carter.

Roy Jenkins, President of the EC Commission, the Community's executive and administrative branch, said after the meeting that most of the European leaders were now agreed that the time is ripe for new moves in the monetary field. He added: "In my view we should seek greater exchange rate stability between the currencies of member states of the Community and thus a stronger basis on which to deal more effectively in exchange rate policy with third countries, notably the United States."

Speaking in Berlin a week later, Jenkins stressed that none of the economic or monetary measures proposed or discussed at the meeting was in any way directed against the dollar or the United States. He added that stronger unity in Europe was in no way incompatible with the strengthening of transatlantic relations.

On direct elections Jenkins said: "No one should underestimate the significance of the decision we have taken. A directly elected Parliament will introduce a major new democratic dimension to the institutions of the Community."

The decision on direct elections was accompanied by a declaration on democracy to the effect that "the respect and maintenance of representative democracy and human rights in each of the member states are essential elements of membership of the European Communities."

Attached is the full text of the European Council's conclusions and statements on these and a number of other issues, including: the setting up of the European Foundation, terrorism, marine pollution, the Middle East, East-West relations, Namibia and the Community's relations with Japan.

Direct Elections to the European Parliament - "The Heads of States and Government note with satisfaction that in the Member States, the legislative procedures relating to the holding of the direct elections to the European Parliament by universal suffrage are being concluded. After reviewing the possible dates for these elections, they agreed that they should take place during the period 7 to 10 June 1979."

Declaration on Democracy - "The election of the Members of the European Parliament by direct universal suffrage is an event of outstanding importance for the future of the European Communities and a vivid demonstration of the ideals of democracy shared by the people within them."

The creation of the Communities, which is the foundation of ever closer union among the peoples of Europe called for in the Treaty of Rome, marked the determination of their founders to strengthen the protection of peace and freedom.

The Heads of Government confirm their will, as expressed in the Copenhagen Declaration on the European identity, to ensure that the cherished values of their legal, political and moral order are respected and to safeguard the principles of representative democracy of the rule of law, of social justice and of respect for human rights.

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They solemnly declare that respect for and maintenance of representative democracy and human rights in each Member State are essential elements of membership of the European Communities."

Economic and Social Situation - "The European Council agreed that the Community and its Member Countries will over the coming three months develop a common strategy designed to reverse the present unsatisfactory trend in the Community's economic and social situation. The European Council was convinced that this course of action will constitute an important contribution to overall international action to promote world economic recovery. It will at the same time facilitate progress towards economic and monetary union.

The common strategy will cover economic and monetary affairs, employment, energy, trade, industrial affairs and relations with the developing world.

The European Council asked the Council (General Affairs) to coordinate the efforts of the Council in its various formations, and to prepare the necessary conclusions of the European Council at its session in July 1978.

1. The Council considers it essential that the Community will have achieved an annual growth rate of 4.5 per cent by the middle of 1979. With this in mind the Community will in the coming months assess the effects of present national economic policies and on this basis define the need for -- and in appropriate cases --- the margin of manoeuvre open to Member States for coordinated additional measures designed to realize the necessary growth within the Community.

During the same period the Community will through common measures support the action of Member States and make better use of existing common facilities to alleviate present restraints on Member Countries' possibilities for action. In this connection the Council referred to the so-called Community Loan Facility. It also invited the Governing Board of the European Investment Bank to adopt at its meeting in June a decision to double the capital of the Bank.

2. The European Council discussed the need for increased monetary stability both within the Community and on a world-wide basis. In this context it recognized the need to avoid disruptive capital flows.

3. The European Council expressed its deep concern over the persistent high rate of unemployment and agreed that an improvement in the employment situation is a key objective of the common overall strategy of the Community. It stressed the importance of the Community's growth objective in this context.

The European Council agreed that the need for complementary specific measures to combat unemployment, particularly with respect to young people, should be examined.

The European Council agreed with the Standing Committee on Employment that the best way of dealing with unemployment is to create new jobs through active economic employment and investment policies, but that there should be further examination of whether worksharing measures could have a supplementary part to play in alleviating the present grave employment measures.

4. The European Council was convinced that sustained international economic stability depends significantly on vigorous efforts in all industrialized countries to reduce dependence on imported oil through energy savings and increased energy production.

The European Council agreed that the high demand for imported oil is a critical problem for the Community. More comprehensive and vigorous efforts at national and Community level to reduce demand and increase supply of energy within the Community are urgently needed. It recognized that this presupposes large-scale investments. Such efforts will be given high priority, because they will at the same time promote economic activity, create new jobs and improve the balance of payments.

5. The European Council agreed that sustained growth in world trade is essential for the promotion of world economic recovery. Therefore protectionist tendencies must be resisted. A rapid and successful conclusion of the Multilateral Trade Negotiations will increase confidence in the world trade system.

The European Council agreed that further progress should be made to eliminate obstacles to the free movement of goods within the Community.

6. The European Council emphasized the need to restore the competitiveness of industries in distress. This remains the basic aim of national and Community policies in this field.

In this connection it underlined the necessity to set up tripartite frameworks on a European level to overcome the serious problems of structural over-capacity in several industries and to promote an industrial structure that can maintain itself in world-wide competition.

7. The European Council pointed out that the pursuit of greater internal cohesion implying also a reduction in regional imbalances, constitutes one of the key objectives of the Community enterprise.

8. The European Council recalls the Resolutions of the Council of Ministers of November 1975 and July 1976 recognizing the need for a re-examination of the agricultural problems affecting the Mediterranean regions of the Community.

In this spirit the European Council was of the opinion that the Council (Agriculture) should endeavor to reach a decision by the end of April taking into account the proposals from the Commission.

9. The European Council noted that an overall increase in the flow of aid to the developing countries will facilitate their possibilities of playing a greater part in a general recovery of the world economy.

The European Council reaffirmed the will of the Community to contribute constructively to progress in the North/South Dialogue in order to promote a more just and equitable world economic order.

10. The European Council asked the Council in its various formations to take the necessary steps over the coming three months toward the achievement of the objectives mentioned above.

Relations with Japan - "The European Council heard the report from the President of the Commission on the progress made in fulfilling the mandate given to him by the European Council at its last meeting in December to continue and intensify his consultations with the Japanese Government with special reference to Japanese balance of payments surpluses in the context of the world economy as a whole.

The European Council agreed that the EEC-Japan joint communique of 24 March could be regarded only as a first step in continuing consultations which should be pursued vigorously with the Japanese Government on the basis of the guidelines agreed by the Council of Ministers in February. The European Council noted with approval the conclusions reached by the Council of Ministers on 3 and 4 April and drew attention to the need for Japan to take appropriate measures for the rapid reduction of its current account surplus, which continues to cause concern.

The European Council asked the President of the Commission and the Council of Ministers to keep the question under review and complete the report to be considered at its next meeting in July."

Terrorism - "The European Council declared its deep distress at the kidnapping of Aldo Moro and the murder of his escort. The Council wished in this connection to express its complete solidarity with the Italian people and Government.

The Council expressed its great concern at the continually increasing number of acts of this kind and at the extension of terrorism in general which, if not effectively combated, will strike at the functioning and the very principles of democracy. The Council stressed that the nine Member States were firmly resolved to do everything to protect the rights of individuals and the foundations of democratic institutions.

The European Council agreed that high priority must be given to efforts to intensify cooperation among the Nine to defend our societies against terrorist violence.

It was agreed that the relevant Ministers will increase their mutual cooperation and will as soon as possible submit their conclusions on the proposals before them for a European judicial area."

Marine Pollution - "The European Council, after hearing a statement by the President of the French Republic concerning the running aground of an oil tanker on the French coast,

1. Considers that the Community should make the prevention and combating of marine pollution, particularly from hydrocarbons, a major objective,
2. Consequently invites the Council, acting on a proposal from the Commission, forthwith to adopt appropriate measures concerning in particular:
 - (a) the swift implementation of existing international rules, in particular those regarding minimum standards for living and working conditions at sea;
 - (b) the prevention of risks of accident through coordinated action by the Member States

- to reinforce and adapt the system of compulsory shipping lanes,
- and to increase checking of substandard vessels;

(c) the search for and implementation of effective measures to combat pollution."

Middle East - "The European Council has examined the situation in Lebanon and the Middle East. We deplore all the recent acts of violence and we wish to express our deep anxiety at the tragic events in South Lebanon. We reiterate our support for resolutions 425 and 426 of the United Nations Security Council and we wish for a swift and complete implementation of these resolutions.

We ask all parties to cooperate fully with the United Nations interim force in the execution of its duties.

We stress our commitment to unity, sovereignty and territorial integrity in Lebanon. Developments in Lebanon must not be allowed to jeopardize the efforts for a negotiated overall settlement to the Arab-Israeli conflict; the impetus of the peace process in the Middle East must be maintained. We reaffirm our position that a settlement must be based on Resolution 242 of the Security Council, applied in full on all fronts. We confirm that the principles set out in our statement of 29 June 1977 remain entirely valid. (Mr. Jørgensen stressed that this position does not represent a new formal EEC statement on the Middle East)."

East-West relations - "The Council held an exchange for views on the recent developments in East-West relations. It noted that detente is undergoing the influence of events throughout the world. It stressed the importance of continuing the multilateral discussions on the implementation of the Final Act of Helsinki which were begun in Belgrade. The Nine intend, therefore, to pursue their close collaboration in preparation for the forthcoming meeting which forms part of the follow-up to Helsinki, planned for 1980 in Madrid."

Namibia - "The European Council has taken note of the proposal for a settlement in Namibia prepared by the Five Powers. The Council supports the action of the Five and considers the proposal to be a fair and reasonable settlement. It hopes that all the parties involved will feel able to accept this important opportunity for a negotiated peaceful solution in accordance with Security Council resolution 385."

European Foundation - "In pursuance of the decision of principle taken at the meeting of the European Council on 5 and 6 December 1977, the Heads of State and of Government laid down the scope and objectives of the Foundation and agreed on the framework for its structure and financing. The European Council decided that formal discussions on setting up the Foundation should be conducted as soon as possible. The seat of the Foundation will be Paris."

Economic and Social Committee - "The European Council declared the importance it attaches to the activities of the Economic and Social Committee. It calls on all parties concerned in connection with the renewal of the Committee in September 1978 to cooperate in increasing the Committee's effectiveness as regards its role in the Community's decision-making process."

PRESS RELEASE

The President of the European Parliament, Emilio Colombo, has made the following statement :

It is with great satisfaction that I learn that the European Council, meeting today in Copenhagen, has given the commitment that the definitive date for the direct elections by universal suffrage to the European Parliament will be fixed for the period 7 - 10 June 1979.

This commitment meets the wish which the European Parliament has on several occasions communicated to the governments.

I should like to emphasize the importance of this commitment which will transform the European Community into the Europe of the people.

Europe, with a Parliament elected by direct universal suffrage, will have received a new stimulus towards its union. This will help to solve the grave problems we are at present facing in the economy and the social sector.

The commitment made today will set in motion the procedure and the European Parliament will deliver its opinion at the earliest opportunity.

7 April 1978

STATEMENT BY THE RIGHT HON ROY JENKINS
PRESIDENT OF THE COMMISSION OF THE EUROPEAN COMMUNITIES
TO THE EUROPEAN PARLIAMENT

LUXEMBOURG - WEDNESDAY 12 APRIL 1978

The President of the Council has just given you a clear and comprehensive account of the results of the European Council at Copenhagen on 7 and 8 April. We are all most grateful to him and his Government for the excellent arrangements they made for the Council, and for the chairmanship they provided.

I will not attempt to repeat what Mr Andersen has said, and would simply like to draw attention to points of particular importance to the Community. As you will have seen from the texts distributed by the Danish Presidency, the results of the Council range particularly wide: from declarations on points of direct concern to our citizens (I am thinking especially of the declarations on terrorism and marine pollution) to important statements on foreign affairs, particularly those on Middle East and African problems.

Overshadowing these points was the agreement on the date for direct elections to the Parliament in June of next year. As you know I have frequently expressed my disappointment at the delay in holding these elections, and was particularly anxious for a firm agreement on the date at Copenhagen. Such agreement - now happily reached - gives reality to the commitment to direct elections and a focus for European political activities and the eventual election campaign between now and then. In the meantime it must not have the effect of diminishing the importance of this Parliament or the esteem in which it is held.

As President of the Commission I want simply to underline our welcome for the introduction of a new democratic dimension to the institutions of our Community, and our satisfaction that these elections are to take place in just over a year's time.

I am also glad that at the same time the European Council adopted a declaration on democracy to link the first direct elections to the European Parliament with the commitment of the
/Community

Community to respect for and maintenance of representative democracy and human rights in each Member State. These are indeed essential elements of membership of the European Communities, and it is right that we should say so.

On the external side, I want to say a word about the Council's declaration on relations with Japan. Within the triangular relationship between the three main areas of the industrial world - Europe, the United States and Japan - we have long sought to strengthen the link between the Community and Japan. This has been made more difficult by the continuing, indeed increasing, Japanese balance of payments surplus, and the various obstacles which still impede access to Japanese markets. As you know the Commission and the Japanese Government agreed on a joint communiqué on 24 March which is a first step in what will, I am sure, be the long process of setting relations between the Community and Japan on a better and more balanced basis. The point remains on the agenda both of the Council of Ministers and of the European Council.

It was a matter of satisfaction and relief to the Commission that the European Council was able to solve the main questions relating to the setting up of the European Foundation as proposed in the Tindemans Report. I know that the legal form adopted was not quite the same as that recommended by the Parliament, but it represented the best compromise which could be reached between the views and problems of the different Member States. The important point is that the Foundation should come into operation without delay. I hope that will now be achieved.

But the aspect of the European Council which gave me most encouragement was the wide-ranging and far-reaching discussion of economic and monetary matters between the Heads of State and Government at Marienborg on Friday evening. In the nature of things no firm decisions or proposals emerged or were even aimed at. But I was struck by the extent to which our thoughts seemed to be running in parallel and in the same direction.

I draw attention to three final points. Following the paper which the Commission submitted to the European Council through the Economic and Financial Council, we all agreed to work for a higher rate of economic growth. The Council has gone on record as saying

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that it considered it essential that the Community should have achieved an annual growth rate of 4.5% by the middle of 1979. It was also agreed, as the Commission had suggested, that national economic policies should be coordinated with a view to working out what room the Member States had for achieving faster growth. The unhappy fact is that our performance has recently been notably worse than the other two main parts of the industrial world. If this should continue it would have increasingly disruptive effects on all parts of our economic and social life. In this respect the Council rightly drew attention to the persistent high rate of unemployment and to the need to set up a tripartite framework at European level to overcome the problems of over-capacity in several industries and promote the creation of a more competitive European industrial structure.

Next I refer briefly to an important point which seems so far to have been somewhat neglected. This was the Council's recognition of the fact that the pursuit of greater internal cohesion within the Community implies the reduction of regional imbalances. This is indeed, in the words of the Council, one of the key objectives of the Community enterprise. One of the imbalances which the Council had in mind was the situation of agriculture in the Mediterranean regions of the Community. In this respect the European Council was of the opinion that the Council in its agricultural aspect should endeavour to reach decisions by the end of April taking into account the proposals already made on this subject by the Commission.

I now come to the point to which, as you know, I attach particular importance. I refer to the disorder of the international monetary system and the need for what I think President Giscard d'Estaing has described as a zone of monetary stability in Europe. I do not have to point to the effects of the current weakness of the United States dollar. Its effects go well beyond the weight and importance of the United States economy, which remains the most powerful in the free world economic system. But as I said in a recent letter to the Nine Heads of State and Government, there is a fundamental asymmetry about the United States having withdrawn from the responsibilities of Bretton Woods, while dollars, like legions without a central command, continue to dominate the currency transactions of the world.

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I thought that our discussion of these and related issues at Copenhagen was particularly fruitful and interesting. We want between now and the next European Council at Bremen to pursue this vigorously, and work out new dimensions of Community activity in the longer term perspective of economic and monetary union. In my view we should begin by seeking greater exchange rate stability between the currencies of Member States of the Community and thus a stronger basis on which to deal more effectively in exchange rate policy with third countries. For this purpose it would in the judgement of the Commission be necessary to extend the Community exchange rate system beyond the snake, give a new dimension to the use of the European Unit of Account, and increase the functions and resources of the European Monetary Cooperation Fund.

We have relatively little time in which to work if the Bremen European Council is to arrive at any conclusions on these major questions. It will of course be followed quickly by the Western Economic Summit in Bonn on 16 and 17 July. I hope it will be possible for the Community to work out a common position and make a strong contribution to the work of that meeting. It will deal with the inter-relating problems common to all industrial countries and will, as I hope, lead to a more concerted way of dealing with them. In this the Community has a major part to play. It can only play it effectively if its members act together.

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1. Difficulties in the dialogue between the Community and Japan

1.1.1. A number of positive aspects are contained in the joint statement issued in Tokyo at the end of the high-level talks held from 22 to 24 March between Mr Hafenkamp, Vice-President of the Commission, and Mr Ushiba, Minister of State for International Economic Relations.

The terms of this statement, which were commented on at the press conference held in Tokyo and in Brussels, nevertheless reveal the serious problems raised by the Community's growing trade deficit with Japan. This deficit remains a major source of concern and a major political problem for the Nine, as the Community institutions have frequently made clear in statements made in recent years.

The trade deficit

1.1.2. Since the beginning of the 1970s the Community's trade deficit with Japan has increased regularly and the rate at which imports have been covered by exports has decreased, as shown in Table 1.

Table 1 — Trade deficit with Japan

Year	Deficit (USD thousand millions)	Cover rate (%)
1970	0.3	
1971	0.8	
1972	1.3	
1973	1.3	67
1974	2.0	63
1975	3.2	46
1976	4.1	42
1977	5.1	39

The problem of the trade deficit masks two other problems, as Mr Jenkins pointed out in a speech which he made at the Foreign

Correspondents Club in Tokyo in October 1977:

(i) The fact that Japan's exports to the Community are concentrated on a very limited range of products, which are particularly important from the point of view of employment in the manufacturing industry, which is subject to structural problems caused by the recession. This has provoked reactions. The Community has already made a number of requests to the Japanese to reduce the pressure which they exert on certain sensitive industries: iron and steel, shipbuilding, ballbearings, cars and certain electronic products.

(ii) The difficulty which European products have in penetrating the Japanese market. Despite the relatively low level of the Japanese tariff, there seem to be structural barriers in the Japanese economy which hinder the importation of manufactures, which make up only 20% of Japanese imports, as against 40 to 50% for the other industrialized countries. There are not only administrative and non-tariff barriers, but also structural resistance, stemming partly from the distribution system and partly from social attitudes, to the large-scale importation of manufactures in direct competition with products produced by Japanese industry.

The dialogue between the Community and Japan

1.1.3. For several years the Community has been seeking to strengthen its relations with Japan. The Nine decided at the Paris Summit in 1972 to step up the dialogue between the enlarged Community and the other industrialized countries.¹ Following this decision, the Commission instituted in

¹ Bull. EC 10-1972, Part One, Chapter I; Section 12 of the final declaration.

June 1973¹ regular twice-yearly high-level consultations with the Japanese Government, similar to those held with the United States Administration. These consultations deal not only with bilateral problems but also the major multilateral economic problems.

With the setting up of a Delegation in Tokyo in November 1974,² the Community now has a permanent liaison instrument which will enable it to intensify the dialogue and establish closer links with Japan.

Talks have been frequent since 1975.³ Mr Finn Olav Gundelach, Member of the Commission, paid an official visit to the Japanese Government from 12 to 14 July 1976.⁴ Mr Doko, President of the Japan Federation of Economic Organizations (Keidanren), heading a large delegation of Japanese industrialists, had talks at the Commission on 26 October 1976.⁵

The tenth round of the regular high-level consultations between the European Community and Japan took place in Tokyo on 19 and 20 May 1977.⁶ On this occasion Mr Haferkamp, Vice-President of the Commission, held talks with Mr Fukuda, the Prime Minister, and other members of the Government.⁶ It was also the first time since September 1973 that the consultations between the European Community and Japan had taken place at ministerial level.

Both parties agreed that close cooperation was required in order to deal with the Community's growing trade deficit with Japan. The Community delegation stated that further rapid progress was needed in order to remove the barriers in Japan which hindered Community exports to that country. It was agreed to push ahead faster with the sector-by-sector study of this problem in order to improve the Community's export opportunities in fields such as processed agricultural products, chemicals, pharmaceuticals and diesel engines.

In addition to the consultations held on certain products⁷ in July 1977 (processed agricultural products) and in October-November of the same year (chemicals, pharmaceuticals, diesel engines and steel), Mr Jenkins' official visit to Tokyo in October 1977⁸ marked an important date. On the conclusion of their talks, the President of the Commission and the Japanese Prime Minister acknowledged that the trade problems should be solved rapidly and agreed to set up a joint study group responsible for analysing in detail the development of the trade and payments balances between the Community and Japan.

The initial work of this group was examined at the high-level consultations held in Brussels on 1 and 2 December 1977.⁹ Both parties decided to continue their efforts to improve the situation and achieve a constant and balanced development of trade.

In January 1978¹⁰ consultations between the United States and Japan resulted in the adoption of a joint statement by the United States and Japan concerning the restoration of equilibrium in Japan's external position and also in the balance between the two countries.

Mr Ushiba, who had already come to Brussels on 16 December 1977,¹¹ paid a further visit to the Commission on 28 January 1978.¹⁰ During these talks, the Commission firmly pointed out that the economic policy measures announced by Japan at the end of

¹ Bull. EC 6-1973, point 2324.

² Bull. EC 11-1974, point 2330.

³ Bull. EC 11-1976, points 1101 to 1114.

⁴ Bull. EC 7/8-1976, point 2355.

⁵ Bull. EC 10-1976, point 2345.

⁶ Bull. EC 5-1977, points 2.2.57 and 2.2.58.

⁷ Bull. EC 7/8-1977, point 2.2.71, 10-1977, point 2.2.64 and 11-1977, point 2.2.73.

⁸ Bull. EC 10-1977, point 2.2.63.

⁹ Bull. EC 12-1977, point 2.2.67.

¹⁰ Bull. EC 1-1978, point 2.2.49.

¹¹ Bull. EC 12-1977, point 2.2.68.

December would probably not be sufficient to reverse the situation in a short term. As the Community's trade deficit with Japan exceeded USD 5 000 million in 1977, strong counter-action was becoming urgently necessary.

This prompted the Council to adopt, at its meeting on 7 February 1978,¹ 'conclusions' inviting the Commission to pursue the dialogue with the Japanese Government in order to solve the bilateral problems which are highlighted by the massive surplus in Japan's trade balance. During this meeting, as stated in the rather firm communiqué issued afterwards, 'the Council adopted a common strategy for the dialogue to be conducted by the Community institutions with the Japanese Government, which will also guide the Member States in their contacts with Japan. The Council asked the Commission, working in conjunction with the Presidency, to convey its views to the Japanese Government at a high level and to report to it as soon as possible.'

On 7 March² the Council was informed of the contacts which had taken place in the meantime on the basis of its 'conclusions' of the preceding month. Following the exchange of views held on this matter 'the Council confirmed the importance it attached to reaching agreement with the Japanese Government, on the basis of its conclusions in February and in a spirit of cooperation, on a set of measures likely to bring about a significant reduction in Japan's trade and payment surpluses. These measures would include macro-economic as well as practical measures likely to have immediate effect as regards opening up the Japanese market.'

Following these very firm stands by the Community—reflecting its growing concern—representatives of the Commission and of the Japanese Government met in Tokyo from 22 to 24 March.

The EEC-Japan joint statement

1.1.4. The following joint statement was issued concerning the results of the Tokyo talks:

'From 22 to 24 March, the Government of Japan and the Commission of the European Communities, through their representatives, the Minister of State for International Economic Relations, Mr Nobuhiko Ushiba, and the Vice-President of the Commission, Mr Wilhelm Haferkamp, undertook consultations regarding problems arising in the trade and economic relations of Japan and the European Community. Both sides stressed the importance they attached to strengthening the relationship between Japan and the Community and to developing a common approach to world economic problems, and to that end to cooperating closely both bilaterally and in multilateral forums.

In particular Minister Ushiba and Vice-President Haferkamp agreed that the following steps would contribute to avoid increasing unemployment and a worldwide reversion to protectionism.

Economic expansion and payments balances

1.1.5. Both sides agreed that further progress in the international adjustment of balance of payments would be desirable for the harmonious development of trade and monetary relations, and that the accumulation of large current account surpluses was not appropriate, in the present international economic situation.

In this connection, both sides confirmed their common recognition that greater stability in the international monetary situation was essential. Within this framework both sides agreed to pursue policies aimed at achieving lasting non-inflationary economic growth.

Vice-President Haferkamp drew attention to the substantial progress made in Member States in reducing inflation rates and deficits on current account, with further progress on these lines foreseen in 1978. He further stated that the narrowing of disparities between Member States has enlarged the scope for pursuing non-inflationary and sustained economic growth, on the basis of coordinated policies throughout the Community, and that

¹ Bull. EC 2-1978, point 2.2.53.

² Point 2.3.18.

the EEC as a whole aimed at 4 to 4.5% real economic growth target in the course of 1978.

The Vice-President indicated that best endeavours continued to be undertaken by Member States to realize better equilibrium of their respective balance-of-payments positions.

The Minister stated that Japan's real growth target for JFY¹ 1978 was 7% through the expansion of domestic demand based on the assumption of a stable international monetary situation, and that it was the intention of the Japanese Government to take all reasonable and appropriate measures in order to achieve this target. It was noted that the official discount rate was reduced by the Bank of Japan to 3.5% as from 16 March.

The Minister stated that the Japanese Government estimated the overall current-account surplus in JFY 1978 to be about one-third smaller than in JFY 1977.

Although the recent fluctuations of the foreign exchange market are seriously affecting the Japanese economy, the Minister stated that, taking into account the estimate set out above, the Japanese Government would maximize its effort to reduce the overall current-account surplus, as far as possible, through the expansion of domestic demand and a series of new measures for improving the access of foreign goods to the Japanese market.

In JFY 1979 and thereafter, under present international economic conditions, all reasonable efforts would be continued with a view to further reducing Japan's current-account surplus. The Minister further stated that it was his expectation that Japan's current-account surplus with the EEC would decline within the context of the expected reduction of the overall current-account surplus in JFY 1978. He thought that signs of a change in the trend towards this reduction would begin to be seen by the autumn of 1978.

Both sides agreed to examine together developments and results at regular intervals. *Ad hoc* reviews might also be undertaken as required. It was agreed to hold the first such assessment in June 1978.

General trade and payments objectives

1.1.6. Both sides stressed the importance of maintaining the open trading system and countering protectionist tendencies. To this end, both sides reaffirmed the importance they attached to the success of the multilateral trade negotiations and to meeting the target of an outline of the final package in July this year.

Both sides agreed to achieve results as substantial as possible in all fields of the MTNs on the basis of overall reciprocity. On tariffs, both sides agreed to make as much effort as possible to reduce on a reciprocal basis tariffs on items of interest to each other in the course of the negotiations.

As regards the issue of safeguards, while taking note of their respective positions on the problem of selective application, both sides agreed to negotiate actively, in full coordination with other participants, for the formulation of a mutually satisfactory international agreement on safeguards within the framework of the GATT.

The Vice-President stated that the success of these negotiations depended in particular both on a genuinely reciprocal reduction of tariffs and on progress towards the formulation of an international agreement within the framework of the GATT on the possibility of the selective application, subject to due international supervision and through the invocation of Article XIX, of safeguard action.

The Minister stated that Japan continued to attach great importance to the principle of non-discrimination and to seek the removal of discriminatory measures.

The Minister stated that the Government of Japan had announced its intention of initiating a sweeping review of its existing foreign exchange control system and a study of a new system based on the principle that all transactions should be free unless specifically prohibited. Pending introduction of the new system, the Japanese Government announced on 26 January 1978, an eleven-point programme of measures for liberalizing and simplifying exchange controls. Of these measures, the relaxation of the standard method of settlement for imports was implemented from 1 March. The other measures are scheduled to be implemented from April.

Trade measures

1.1.7. The Vice-President stressed the importance of Japan increasing the share of manufactures in its imports.

The Minister stated that the Japanese Government would continue to take all appropriate steps to increase imports of manufactures and expected that the total volume of imports of manufactures would increase sub-

¹ JFY — Japanese financial year, i.e. 1 April to 31 March.

