

EUROPEAN COUNCIL ON 5 AND 6 DECEMBER 1977 IN BRUSSELS

CONCLUSIONS OF THE PRESIDENCY

I. The economic situation in the Community

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

- that, although considerable results had been achieved in combating inflation and improving the balance of payments, the level of unemployment remained a major cause for concern, the growth of demand was insufficient and the degree of utilization of industrial capacity was very low;
- that for these reasons every effort should be made to implement the strategy for economic growth approved by the Council (Ministers for Financial and Economic Affairs) on 17 October 1977.

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

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The European Council welcomed and took note with satisfaction of the Commission communication on the prospects for EMU.

It reaffirmed its attachment to the objective of EMU.

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

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

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

- increased co-ordination of economic policies;
- the strengthening of monetary solidarity;
- the development of the Community's financial means;
- the search for Community solutions to structural problems.

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

- (a) In order to go further than a juxtaposition of national objectives, the convergence of short-term economic policies should be reinforced by a better co-ordination of national short-term economic policy instruments and their insertion in a Community framework and procedure.
- (b) The strengthening of financial solidarity should be promoted by the adjustment of short and medium-term credit mechanisms.
- (c) The European Council declared itself in favour of the development of the Community's financial means by approving the principle of the establishment, on an experimental basis, of a new instrument for Community lending and borrowing, the loans being managed by the European Investment Bank. It instructed the Council (Ministers for Financial and Economic Affairs) to examine the proposal which the Commission would make on this subject.
- (d) With the aim of adapting the European production machine to the new conditions on the Community and world markets, solutions to the structural problems which are common to all the Member States must increasingly be sought at Community level, particularly for the iron and steel, textile and shipbuilding industries.

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

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

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

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

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

II. INTRODUCTION OF THE EUROPEAN UNIT OF ACCOUNT
INTO THE BUDGET OF THE EUROPEAN COMMUNITIES

The EUA will be introduced into the budget of the European Communities from 1 January 1978.

The budget will be adopted and implemented without regard to Article 131.

The necessary financial compensations for 1978 and 1979 under Article 131 will be made outside the framework of the budget on a quarterly basis.

The Commission will make the necessary calculations for each Member State in accordance with the interpretation of Article 131 which is most advantageous to that State.

These calculations will lead to a deficit to be financed from extra-budgetary payments by the Member States.

To establish its contribution to the financing of the above-mentioned deficit, each Member State may choose one of the following scales:

- overall budget scale
- VAT scale
- 1976 GNP scale
- proportional scale (relative share of each Member State resulting from the calculations referred to in point 4 above).

The exact percentages of these four scales will be established by the Commission on the basis of the table submitted to the European Council on the morning of 6 December 1977.

The method of financing the amount outstanding as a result of this means of allocation will be decided on by the Council.

III. EUROPEAN REGIONAL DEVELOPMENT FUND

The European Council agreed

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

1978: 580 MEUA	}	Total 1850 MEUA
1979: 620 MEUA		
1980: 650 MEUA		

2. to grant France, for the benefit of the French overseas departments, a 2% increase in its national quota, to be deducted from the quotas of the other Member States.
 3. to instruct the Council to settle the other outstanding points, including the establishment of a non-quota section.
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IV. ELECTION of the Members of the European Parliament by direct universal suffrage

The European Council reaffirmed its wish that direct elections to the European Parliament should take place in May/June 1978 and noted that eight Member States were in a position to hold elections at that time.

The European Council noted that a Bill on this subject was currently before the United Kingdom Parliament and expressed the hope that the legislative procedures in the United Kingdom would be completed in time to enable this objective to be attained. It also noted the determination of the United Kingdom Government to do all in its power to make this possible.

V. EUROPEAN UNION

In accordance with the decision taken at its meeting in November 1976, the European Council examined and approved the first annual reports on progress towards European Union, which were submitted by the Ministers for Foreign Affairs and the Commission.

It agreed that these should be published in a single document.

VI. EUROPEAN FOUNDATION

The European Council examined the report submitted by the Commission on the scope, nature and financing of a possible European Foundation.

The European Council approved the principle of establishing such a Foundation and called upon the Commission and the Council to examine the aspects of the matter which are within their respective spheres of competence so as to enable the European Council to take concrete decisions regarding the implementation of this project at its next meeting (April 1978).

VII. RECOURSE TO ARTICLE 155 OF THE EEC TREATY

The European Council took note of the Commission report on the possibilities offered by Article 155 and instructed the Council to examine this subject on the basis of more detailed proposals to be submitted by the Commission.

VIII. JUDICIAL CO-OPERATION

The European Council noted with interest a communication from the President of the French Republic on development of judicial co-operation between the Member States.

It requested that active consideration be given to the proposals made in this respect.