

THE EUROPEAN COUNCIL

**STRASBOURG
21-22 JUNE 1979**

Documents in the dossier include:

The European Council in Strasbourg

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European Council Sets Oil Import Limit
European Community News No. 21/1979
European Community Information Service
Washington DC

1 European Council in Strasbourg

Strasbourg European Council

Energy and the economy at the centre of the discussions

1.1.1. The European Council in Strasbourg on 21 and 22 June was presided over by Mr Valéry Giscard d'Estaing and attended by the Heads of Government and the Foreign Ministers of the Nine. The Commission was represented by Mr Roy Jenkins, President, and by Mr François-Xavier Ortoli, Vice-President with special responsibility for economic and financial affairs.

The discussions—a few days before the Western summit in Tokyo¹—were devoted primarily to working out the main lines of a joint energy strategy, one of the major issues to come up at the European Council in Paris earlier in the year.² Economic and social questions, notably the European Monetary System, the economic and social situation and convergence of the economic performances of the Member States, also figured both in the discussions and in the 'Conclusions of the Presidency' released at the end of the two-day meeting. Other items on the agenda included direct elections to the European Parliament, relations with Japan and the plight of the refugees from Indochina.

The Commission had made its usual contribution to preparations for the European Council in the form of a series of communications on the main items on the agenda: energy, structural change between now and 1990, economic situation and policy in the Community, economic and social implications of the reorganization of working time, and relations with Japan.

Outcome of the European Council

1.1.2. Without a doubt the most important achievement of the Strasbourg meeting was

the agreement by the Nine to work out a joint energy strategy, which they undertook to defend—and did—the following week at the Western Summit in Tokyo. On the economic front guidelines were produced on the convergence of the economic policies and the coordination of the budgetary policies of the Member States, and the fight against inflation and unemployment.

'Conclusions of the Presidency'

1.1.3. The 'Conclusions of the Presidency' released at the end of the Strasbourg European Council were as follows:³

Election of the Assembly of the European Communities

1.1.4. Wishing to demonstrate the importance and significance which it attaches to the first election of the members of the Assembly of the European Communities by direct universal suffrage, the European Council met on 21 and 22 June in Strasbourg, thereby underlining Strasbourg's European status.

The Heads of State and Government noted with satisfaction that the elections had gone smoothly and that they had helped to make the peoples of Europe more aware of their solidarity.

They welcomed the intention expressed by their Irish colleague of taking part, as President-in-Office of the European Council, in the inaugural meeting of the new Assembly in Strasbourg on 18 July.

¹ Points 1.2.1 to 1.2.5.

² Bull. EC 3-1979, point 1.1.6.

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.

They charged him on that occasion to express their joint conviction that the newly elected Assembly, taking its rightful place among the Community institutions, will serve the hopes and the ambitions of Europe.

European Monetary System

1.1.5. The European Council was informed of the conditions under which the European Monetary System had been set up and took the view that the initial stock-taking, now that the system had been in operation for three months, could be regarded as positive.

It attached particular importance to the strengthening of monetary cooperation and the development of the procedures for concerted action put in hand within the appropriate Community bodies. It expressed the hope that the preparations for setting up a European Monetary Fund would be expedited, so that the latter might be able, by the planned deadlines, to make an effective contribution towards stabilizing monetary relations and exchange rates within the Community.

It stressed the major political significance which the introduction of an area of monetary stability has for progress towards the organization of Europe.

Energy

1.1.6. The European Council held an exchange of views on the world energy situation. It stressed the urgent need for action in the face of the serious structural situation brought about by the development of a lasting imbalance between supply and demand for oil and the precariousness of world energy supplies, not only in the long term but also in the immediate future.

The European Council considers it vital that the consumer and producer countries together work out a world energy strategy designed to:

- ensure more moderate and rational use of oil as a non-renewable natural resource;
- permit continued economic growth no longer dependent on increased consumption of oil but

based on the development of other energy resources;

- ensure that the developing countries are also able to obtain the energy necessary for their growth.

If such a strategy cannot be worked out, the world will rapidly move towards a large-scale economic and social crisis.

1.1.7. The European Council affirms the Community's will to play an exemplary role in this action. It recalls the decisions already taken at its meeting in March 1979 and, in particular, the objective to limit oil consumption in 1979.

The Council also expresses its resolve to continue and step up this effort to limit oil consumption and, through energy saving, the development of indigenous production and the progressive use of alternative energy, to maintain Community imports between 1980 and 1985 at an annual level not higher than that for 1978.

It will not be possible to make an effort of this magnitude unless an effort on the same scale is made at the same time by the other industrialized consumer countries, which must also restrict their oil imports.

Lastly, steps will have to be taken, in cooperation with the oil companies, to ensure that each country can obtain fair supplies of oil products, taking into account the differing patterns of supply, the efforts made to limit oil imports, the economic situation of each country and the quantities of oil available.

1.1.8. This effort will be accompanied by measures relating to the free markets, where prices bear no relation to those charged by the producer countries.

The Council welcomes the measures taken in this connection by the Council (Energy) to improve market surveillance. As regards the recording of international transactions, it requests the Council (Energy) to take the steps for which it has laid down the principles provided that the other industrialized States are prepared to take similar action. It invites the Member States and the Commission, which will take part in the Tokyo Summit, to

examine with the other participants in that meeting what additional steps should be taken. In the light of that examination the Council (Energy) will adopt the appropriate measures.

In the immediate future, the Member States declare their readiness to dissuade companies from lending themselves to transactions on these markets at excessive prices.

1.1.9. So that these efforts may continue in consonance with the growth of their economies, the Community and the Member States will continue and extend the redeployment of energy which has already begun. This redeployment will be based on the strengthening of the energy-saving measures already under way and be such as to enlist the use of nuclear energy, coal and, as soon as possible, other, alternative sources of energy.

- The Community has already made a major effort to save energy. It must strengthen national and Community programmes in order to encourage growth combined with low energy requirements, in particular by means of greater investment efforts in this area.
- Without the development of nuclear energy in the coming decades, no economic growth will be possible. Nuclear programmes must therefore be given strong fresh impetus.

Nuclear energy must be used under conditions guaranteeing the safety of the population. In this connection, the European Council, whilst recalling that this matter is essentially the responsibility of national authorities, considers that existing bilateral and multilateral cooperation should be strengthened and developed. It highlighted the role of the International Atomic Energy Agency in this area.

- In view of the necessary change in oil imports, the use of coal in power stations must be stepped up without delay; its use in industry must also be encouraged. Special attention will be given to technological programmes to devise new processes for the extraction, transport and processing of coal.
- The European Council notes that the situation calls for national and Community research and development efforts in the energy sector to be stepped up by coordinating national action and joint programmes so that more tangible prospects may

shortly be found for the economical use of new resources, especially solar and geothermal energy. Like nuclear energy, these 'clean' forms of energy will contribute to halting the build-up in the atmosphere of carbonic fumes caused by the use of fossile fuels.

Such research will also be directed at promoting new techniques for the use of conventional resources and achieving energy savings.

1.1.10. The decisions adopted today bear witness to the fact that Europe is ready to shoulder its responsibilities. It urges the other industrialized consumer countries to make efforts on a similar scale and to develop their national energy resources, failing which the Community's contribution to the world energy balance cannot play its full part.

1.1.11. The European Council appeals to the producer countries to take account of the importance of the world energy balance and harmonious economic development.

In conjunction with the other industrialized consumer countries, the Community and the Member States are prepared to establish contacts with the producer countries in an endeavour to define in common supply and demand prospects on the world oil market. To analyse the situation in this way will be to make it possible to pinpoint the difficulties and work out ways and means of remedying them, with all parties acting in concert. This analysis should most particularly concentrate on the oil-importing developing countries. To cut down on the industrialized countries' imports will be to improve developing countries' supply prospects. Furthermore, a major effort will have to be made to boost the output of their energy resources. On this score, the European Council is gratified at the action undertaken by the World Bank and declares its willingness to examine further improvements to its operations.

Over and above these forms of action, the European Council confirms its interest in an overall approach to world energy problems, on which the President of the United Mexican States has put forward some significant proposals.

1.1.12. The European Council instructs the Presidency to inform the other industrialized consumer countries and the producer countries of all the decisions adopted today.

Economic and social situation

1.1.13. The economic policies initiated a year ago in line with the common approach defined in the July 1978 European Council have helped to improve the outlook for growth and price trends in the Community.

The recent substantial changes in the supply and price of oil have however narrowed the margin for manoeuvre in economic policies, as regards both the rate of growth and the level of inflation.

Faced with this situation, the Council adopted the following guidelines:

- the economic policies of the Member States will be even more closely coordinated, in order to minimize the inflationary and depressive effects of the increase in oil prices and its consequences for the level of growth and the employment situation;
- coordination of budgetary policies for 1980 is of particular importance in this context. Priority should be given to measures which enable a satisfactory level of growth to be attained in the Community through investment, while promoting modernization of economic structures;
- the struggle against inflation will continue. The major internal and external economic equilibria on which the competitiveness and growth of the economies of the Member States depend must be respected. Steps must be taken to ensure that the drain on real resources which the increase in oil prices entails are not compensated by nominal increases in incomes.

The European Council took note of the discussions which had taken place in the Council and Commission pursuant to the guidelines adopted at its meeting on 12 and 13 March, to contribute, by Community action, to improving the employment situation.

It took note of the Commission's interim communication on the discussions regarding work-sharing.

It confirmed the importance it attached to the active continuation, with the collaboration of both sides of industry, of the work it had asked to be undertaken, so that concrete proposals might be worked out rapidly.

Convergence

1.1.14. The European Council noted the report submitted to it by the Council (Economic and Financial Affairs) on the convergence of Member States' economic performances.

Following comments from a number of delegations, it asked the Commission to submit to the Council a reference paper describing the financial consequences of applying the budgetary system on the situation in each Member State, especially in 1979 and 1980. The study will have to take into account the economic, financial and social effects of each Member State's participation in the Community and the Community nature of the components contributing to the formation of own resources. For 1980, it will take account of the agricultural prices for the 1979/80 marketing year.

The Commission will at the same time examine the conditions under which the corrective mechanism decided on in 1975 can play its part in 1980 and the extent to which it fulfils the objectives assigned to it.

The Commission will submit its study to the Council so as to enable the Member States to give their opinions and present their requests in concrete form. In the light of the debate and of any guidelines which may emerge from the Council the Commission will present proposals sufficiently early to enable decisions to be taken at the next meeting of the European Council.

Japan

1.1.15. The European Council noted that the imbalance in trade relations between the Community and Japan was continuing and deepening. Wishing to expand and strengthen cooperation with Japan in all fields, it expressed the wish that the Japanese Government, bearing in mind the place and the responsibilities of Japan in the world economy, would help by means of appropriate

measures to redress a situation which gave particular cause for concern. It hoped that the regular consultations between the Commission and Japan would rapidly result in wider openings for EEC exports on the Japanese market and enable broader and more equitable relations to be envisaged.

Refugees from Indochina

1.1.16. The Ministers of Foreign Affairs reported on the initiative which they had taken in proposing that an international conference meet under the auspices of the United Nations to discuss the problem of refugees from Indochina.

Stressing the dramatic nature of the problem and the urgent need to find an effective and humane solution, the European Council requested the Ministers to see to it that their initiative is successful and that in the meantime no decision is taken that might aggravate the situation.

Statements and comments

1.1.17. The comments on the Strasbourg Council by a number of the participants, notably Mr Giscard d'Estaing, who had presided over the meeting, and Mr Jenkins, President of the Commission, were generally positive. Similar favourable reactions, with differing stress, were also expressed by Mrs Thatcher, the British Prime Minister and by Mr Andreotti, the Italian Prime Minister.

At the traditional post-Council press conference Mr Giscard d'Estaing, in his capacity as President, read out and commented on the main passages of the 'Conclusions of the Presidency' prior to distribution and stressed the substantial results achieved on a number of issues. He was followed by the President of the Commission, who likewise emphasized the significance and importance of the conclusions reached by the Heads of State and Government.

Statement by Mr Giscard d'Estaing in his capacity as President of the European Council

1.1.18. In his statement to the press the French President, Mr Giscard d'Estaing, described the outcome of the meeting in the following terms:

'The meeting of the European Council has been extremely useful and will enable the Community to make an important contribution to solving the world energy crisis. It goes without saying that this contribution will be meaningless and destined to failure unless the other countries concerned agree to take similar action...

We examined the conditions under which the European Monetary System was set up. This is in fact the first meeting of the European Council since this event and on the basis of our initial stocktaking we feel that the results of the first three month's operation are positive. And yet, as you know, these three months have been marked by considerable unrest on the world scene, with increases in oil prices and substantial fluctuations in the value of certain currencies, notably the dollar. But despite these external factors the European Monetary System has operated satisfactorily.

The next item on the agenda was the energy situation; we were all aware that finding a solution to this problem was the main task facing the meeting... The European Council defined the Community's policy on this front. This policy is not entirely new; we would recall the decisions already taken at the Paris meeting in March 1979, and in particular our objective to limit oil consumption in 1979. The new aspects of the policy are as follows: the European Council is resolved to continue and step up this effort to limit oil consumption and to maintain Community imports between 1980 and 1985 at an annual level not higher than that for 1978...

It will clearly not be possible to make an effort of this magnitude unless an effort on the same scale is made at the same time by the other industrialized consumer countries... I am referring here to the United States and Japan ... which must also keep their oil imports within restricted and published

ceilings. This will be one of the aims of our talks next week in Tokyo. Lastly, steps will have to be taken, in cooperation with the oil companies, to ensure that each country can obtain fair supplies of oil products...

The second point is that this effort will be accompanied by measures relating to the free markets, where prices bear no relation to those charged by the producer countries...

The third point is that, to enable these efforts to continue in consonance with the growth of their economies, the Community and the Member States will continue and extend the redeployment of energy which has already begun.

This redeployment will be based on the strengthening of the energy-saving measures already under way and be such as to enlist the use of nuclear energy, coal and, as soon as possible, other, alternative sources of energy...

And we shall define ways and means of encouraging moderate economic growth combined with low energy requirements, in particular by means of greater investment efforts in this area...

The decisions adopted today demonstrate that Europe is ready to shoulder its responsibilities and to make its contribution to the problems caused by the world energy shortage. But such efforts will not bear fruit unless the other countries do what they can on a similar scale to develop their national energy resources, failing which the Community's contribution to the world energy balance cannot play its full part.

Lastly, we are planning to establish contacts with the producer countries in an endeavour to define in common supply and demand prospects on the world oil market. We feel that such an analysis will make it possible to pinpoint the difficulties and work out ways and means of resolving them, with all parties acting in concert. But before approaching the producer countries we were anxious to announce our own intentions to restrict oil imports in order to demonstrate that the Community is aware of the need to limit the use of natural resources; this, as you know, is of prime concern to the producer countries...

If the decisions... adopted not only by the European Community but by the other major import-

ing countries ... are aligned and actively implemented we should be able to restore the balance between supply and demand...

We then moved on to discuss the economic and social situation in the Community. We noted that the substantial changes in the supply and price of oil have narrowed the margin for manoeuvre in economic policies in respect of the rate of growth and the level of inflation, as the effect is to boost inflation and curb growth. This is the reason behind the guidelines adopted by the Council [in this area]...

We took note of the Commission's interim communication on work sharing and called on the Commission to continue work on proposals for discussion at the next European Council... After giving our initial reaction we asked the Commission to consider certain additional aspects of the problem, with particular reference to population growth in countries outside the Community, which is bound to affect our own future. We must not concern ourselves solely with our own population growth. The Commission will relay its thoughts on this matter to the European Council in Dublin.¹

Mr Giscard d'Estaing covered most of the other subjects discussed in Strasbourg, namely direct elections to the European Parliament, budgetary matters, relations with Japan and the plight of the refugees from Indochina, by quoting from the 'Conclusions of the Presidency'.

Mr Roy Jenkins, President of the Commission

1.1.19. The French President was followed by Mr Jenkins, President of the Commission, who made the following statement:

'This has been in my view an important European Council for a number of reasons. First, it was symbolically and appropriately held in Strasbourg

¹ Unofficial translation.



between the significant event of direct elections to the European Parliament and the first session of the new Parliament here next month.

But the Council was important also for reasons of substance. The continuing energy crisis has reinforced the need for energy problems to be tackled on a collective Community basis rather than dispersed national bases. Firm and coordinated policies to save energy in the many ways open to us, to avoid oil prices escalating dangerously on the open markets, and to develop alternative and in particular nuclear sources of energy are indispensable, if we are to play the part commensurate with our collective weight in dealing both with our industrialized partners and the oil-producing countries.

The decisions taken today should equip those attending the Tokyo Summit next week with a solid Community contribution to problems which affect the industrialized world as a whole. Some things are too big for individual nations. Some things are even too big for the Community. The industrialized countries have to act together. We also look forward to developing our relations with the producer countries, and we appeal to them to take account of the importance of the world energy balance and harmonious economic development.

While energy dominated our deliberations we also took the opportunity to have a preliminary look forward to the prospects for the 1980s on the basis of a paper produced by the Commission. This will be considered in greater depth together with supplementary studies by the Commission at Dublin in November. If we are to cope with our future problems we must already seek to identify the main issues and shape our policies in a long perspective. Here I put forward some thoughts about both the demographic changes which will greatly affect the social and economic situations in the next ten to fifteen years and the technological developments of our economy. In the judgment of the Commission we need to ensure that the silent revolution in our affairs which the development of information processing is bringing about is considered on a Community-wide scale if our economies are to remain fully competitive and we are to retain our place among the industrial leaders of the world. The future place of Europe will critically depend on our ability to develop the new



electronic technologies on a Continental scale and to use them as they should and must be used.

Not unnaturally much interest has focused on convergence and the budget of the Community. As you will see from the communiqué the Commission will make an objective study of the budgetary situation and after the Council of Economic and Finance Ministers has been seized of our study, the Commission will make concrete proposals for dealing with the problem. This would be in time for the European Council in Dublin to be able to take the necessary decisions.

This European Council has been one of the more valuable I have attended. It has shown how the Community is able to react to the challenges which concern us and to confront the consequences for policy. Together we are strong, individually much weaker. This Council has been a good demonstration of the Community effectively at work.'

No. 21/1979

June 27, 1979

EUROPEAN COUNCIL SETS OIL IMPORT LIMIT

The heads of state of the nine nations of the European Community have agreed to limit their annual oil imports to the 1978 level of 470 million metric tons and to require the registration of all oil transactions, if the other industrialized countries take similar measures. The Nine are also ready to dissuade oil companies from paying excessive prices on the spot market.

These were the main decisions on energy taken at the European Council meeting in Strasbourg, France, on June 21 and 22, one week before the heads of state of four European Community nations and EC Commission President Roy Jenkins are to meet President Carter, Prime Minister Ohira of Japan and Prime Minister Clark of Canada at the Tokyo Summit.

In a statement after the meeting, the President of the European Council, President Valery Giscard d'Estaing of France, said: "What we have indicated is that we believe that the balance of the market must be reestablished. That supposes a concerted action on behalf of consumer countries to put a break on consumption and producer countries to achieve or maintain a sufficient level of production."

In his statement, EC Commission President Roy Jenkins said: "The decisions taken today should equip those attending the Tokyo Summit next week with a solid Community contribution to problems which affect the industrialized world as a whole."

The full text of the European Council communique follows:-

ELECTION OF THE ASSEMBLY OF THE EUROPEAN COMMUNITIES

Wishing to demonstrate the importance and significance which it attaches to the first election of the members of the Assembly of the European Communities by direct universal suffrage, the European Council met on 21 and 22 June in Strasbourg, thereby underlining Strasbourg's European status.

The Heads of State and of Government noted with satisfaction that the elections had gone smoothly and that they had helped to make the peoples of Europe more aware of their solidarity.

They welcomed the intention expressed by their Irish colleague of taking part, as President-in-Office of the European Council, in the inaugural meeting of the new Assembly in Strasbourg on 18 July.

They charged him on that occasion to express their joint conviction that the newly elected Assembly, taking its rightful place among the Community institutions, will serve the hopes and the ambitions of Europe.

EUROPEAN MONETARY SYSTEM

The European Council was informed of the conditions under which the European Monetary System had been set up and took the view that the initial stock-taking, now that the system had been in operation for three months, could be regarded as positive.

It attached particular importance to the strengthening of monetary cooperation and the development of the procedures for concerted action put in hand within the appropriate Community bodies. It expressed the hope that the preparations for setting up a European Monetary Fund would be expedited, so that the latter might be able, by the planned deadlines, to make an effective contribution towards stabilizing monetary relations and exchange rates within the Community.

It stressed the major political significance which the introduction of an area of monetary stability has for progress towards the organization of Europe.

ENERGY

1. The European Council held an exchange of views on the world energy situation. It stressed the urgent need for action in the face of the serious structural situation brought about by the development of a lasting imbalance between supply and demand for oil and the precariousness of world energy supplies, not only in the long term but also in the immediate future.

The European Council considers it vital that the consumer and producer countries together work out a world energy strategy designed to:

- ensure more moderate and rational use of oil as a non-renewable natural resource;

- permit continued economic growth no longer dependent on increased consumption of oil but based on the development of other energy resources;
- ensure that the developing countries are also able to obtain the energy necessary for their growth.

If such a strategy cannot be worked out, the world will rapidly move towards a large-scale economic and social crisis.

2. The European Council affirms the Community's will to play an exemplary role in this action. It recalls the decisions already taken at its meeting in March 1979 and, in particular, the objective to limit oil consumption in 1979.

The Council also expresses its resolve to continue and step up this effort to limit oil consumption and, through energy saving, the development of indigenous production and the progressive use of alternative energy, to maintain Community imports between 1980 and 1985 at an annual level not higher than that for 1978.

It will not be possible to make an effort of this magnitude unless an effort on the same scale is made at the same time by the other industrialized consumer countries, which must also restrict their oil imports.

Lastly, steps will have to be taken, in cooperation with the oil companies, to ensure that each country can obtain fair supplies of oil products, taking into account the differing patterns of supply, the efforts made to limit oil imports, the economic situation of each country and the quantities of oil available.

3. This effort will be accompanied by measures relating to the free markets, where prices bear no relation to those charged by the producer countries.

The Council welcomes the measures taken in this connection by the Council (Energy) to improve market surveillance. As regards the recording of international transactions, it requests the Council (Energy) to take the steps for which it has laid down the principles provided that the other industrialized States are prepared to take similar action. It invites the Member States and the Commission, which will take part in the Tokyo Summit, to examine with the other participants in that meeting what additional steps should be taken. In the light of that examination the Council (Energy) will adopt the appropriate measures.

In the immediate future, the Member States declare their readiness to dissuade companies from lending themselves to transactions on these markets at excessive prices.

4. So that these efforts may continue in consonance with the growth of their economies, the Community and the Member States will continue and extend the redeployment of energy which has already begun. This redeployment will be based on the strengthening of the energy-saving measures already under way and be such as to enlist the use of nuclear energy, coal and, as soon as possible, other alternative sources of energy.

- The Community has already made a major effort to save energy. It must strengthen national and Community programs in order to encourage growth combined with low energy requirements, in particular by means of greater investment efforts in this area.

- Without the development of nuclear energy in the coming decades, no economic growth will be possible. Nuclear programs must therefore be given strong fresh impetus.

Nuclear energy must be used under conditions guaranteeing the safety of the population. In this connection, the European Council, whilst recalling that this matter is essentially the responsibility of national authorities, considers that existing bilateral and multi-lateral cooperation should be strengthened and developed. It highlighted the role of the International Atomic Energy Agency in this area.

- In view of the necessary change in oil imports, the use of coal in power stations must be stepped up without delay; its use in industry must also be encouraged. Special attention will be given to technological programs to devise new processes for the extraction, transport and processing of coal.

- The European Council notes that the situation calls for national and Community research and development efforts in the energy sector to be stepped up by coordinating national action and joint programs so that more tangible prospects may shortly be found for the economical use of new resources, especially solar and geothermal energy. Like nuclear energy, these "clean" forms of energy will contribute to halting the build-up in the atmosphere of carbonic fumes caused by the use of fossile fuels.

Such research will also be directed at promoting new techniques for the use of conventional resources and achieving energy savings.

5. The decisions adopted today bear witness to the fact that Europe is ready to shoulder its responsibilities. It urges the other industrialized consumer countries to make efforts on a similar scale and to develop their national energy resources, failing which the Community's contribution to the world energy balance cannot play its full part.

6. The European Council appeals to the producer countries to take account of the importance of the world energy balance and harmonious economic development.

In conjunction with the other industrialized consumer countries, the Community and the Member States are prepared to establish contacts with the producer countries in an endeavor to define in common supply and demand prospects on the world oil market. To analyze the situation in this way will be to make it possible to pinpoint the difficulties and work out ways and means of remedying them, with all parties acting in concert. This analysis should most particularly concentrate on the oil-importing countries. To cut down on the industrialized countries' imports will be to improve developing countries' supply prospects. Furthermore, a major effort will have to be made to boost the output of their energy resources. On this score, the European Council is gratified at the action undertaken by the World Bank and declares its willingness to examine further improvements to its operations.

Over and above these forms of action, the European Council confirms its interest in an overall approach to world energy problems, on which the President of the United Mexican States has put forward some significant proposals.

7. The European Council instructs the Presidency to inform the other industrialized consumer countries and the producer countries of all the decisions adopted today.

ECONOMIC AND SOCIAL SITUATION

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The recent substantial changes in the supply and price of oil have however narrowed the margin for manoeuvre in economic policies, as regards both the rate of growth and the level of inflation.

Faced with this situation, the Council adopted the following guidelines:

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- coordination of budgetary policies for 1980 is of particular importance in this context. Priority should be given to measures which enable a satisfactory level of growth to be attained in the Community through investment, while promoting modernization of economic structures;
- the struggle against inflation will continue. The major internal and external economic equilibria on which the competitiveness and growth of the economies of the Member States depend must be respected. Steps must be taken to ensure that the drain on real resources which the increase in oil prices entails are not compensated by nominal increases in incomes.

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It took note of the Commission's interim communication on the discussions regarding work sharing.

It confirmed the importance it attached to the active continuation, with the collaboration of both sides of industry, of the work it had asked be undertaken, so that concrete proposals might be worked out rapidly.

CONVERGENCE

The European Council noted the report submitted to it by the Council (Economic and Financial Affairs) on the convergence of Member States' economic performances.

Following comments from a number of delegations, it asked the Commission to submit to the Council a reference paper describing the financial consequences

of applying the budgetary system on the situation in each Member State, especially in 1979 and 1980. The study will have to take into account the economic, financial and social effects of each Member State's participation in the Community and the Community nature of the components contributing to the formation of own resources. For 1980, it will take account of the agricultural prices for the 1979/1980 marketing year.

The Commission will at the same time examine the conditions under which the corrective mechanism decided on in 1975 can play its part in 1980 and the extent to which it fulfills the objectives assigned to it.

The Commission will submit its study to the Council so as to enable the Member States to give their opinions and present their requests in concrete form. In the light of the debate and of any guidelines which may emerge from the Council, the Commission will present proposals sufficiently early to enable decisions to be taken at the next meeting of the European Council.

JAPAN

The European Council noted that the imbalance in trade relations between the Community and Japan was continuing and deepening. Wishing to expand and strengthen cooperation with Japan in all fields, it expressed the wish that the Japanese Government, bearing in mind the place and the responsibilities of Japan in the world economy, would help by means of appropriate measures to redress a situation which gave particular cause for concern. It hoped that the regular consultations between the Commission and Japan would rapidly result in wider openings for EEC exports on the Japanese market and enable broader and more equitable relations to be envisaged.

REFUGEES FROM INDOCHINA

The Ministers for Foreign Affairs reported on the initiative which they had taken in proposing that an international conference meet under the auspices of the United Nations to discuss the problem of refugees from Indochina.

Stressing the dramatic nature of the problem and the urgent need to find an effective and humane solution, the European Council requested the Ministers to see to it that their initiative is successful and that in the meantime no decision is taken that might aggravate the situation.