

COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT

PRESS RELEASE

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719th meeting of the Council

- Economics/Finance -

Brussels, 6 July 1981

President: Sir Geoffrey HOWE,
Chancellor of the Exchequer
of the United Kingdom

The Governments of the Member States and the Commission of the European Communities were represented as follows:

Belgium:

Mr Robert VANDEPUTTE Minister for Finance

Denmark:

Mr Ivar NØRGAARD Minister for Economic Affairs

Germany:

Mr Rolf BOHME Parliamentary State Secretary,
Federal Ministry of Finance

Greece:

Mr Jean PALAIOKRASSAS Minister of State, Co-ordination

France:

Mr Jacques DELORS Minister for Economic Affairs and
Finance

Ireland:

Mr John BRUTON Minister for Finance

Italy:

Mr Nino ANDREATTA Minister for the Treasury

Luxembourg:

Mr Jacques SANTER Minister for Finance

Netherlands:

Mr A.P.J.M.M. van der STEE

Minister for Finance

United Kingdom:

Sir Geoffrey HOWE

Chancellor of the Exchequer

Mr Nigel LAWSON

Financial Secretary to the
Treasury

Commission:

Mr François-Xavier ORTOLI

Vice-President

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The meeting was also attended by:

Mr F.W. RUTTEN

Chairman of the Economic Policy
Committee

Mr Gordon RICHARDSON

Chairman of the Committee of the
Governors of the Central Banks

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THE ECONOMIC SITUATION IN THE COMMUNITY

The Council carried out its second quarterly review of the economic situation within the Community, as provided for in Article 3 of the "convergence" Decision of 18 February 1974.

The Council then recorded its agreement on the following conclusions proposed by the Commission:

- (i) It may be that the recession has now passed its low point in Europe, and that the chances for a moderate recovery are fairly good. However, great risks surround this uncertain and fragile improvement. With the short-term easing of the oil market, the main risks at present lie in the management of economic policy within the Community and internationally. The Social Partners also have an important rôle.

- (ii) Within the Community, particular risks follow from the failure so far of several Member States to progress with urgently required public finance and income stabilisation measures. These failures weaken the cohesion of the European Monetary System. The Commission recommends to these countries accelerated programmes of economic adjustment. On the other hand, Germany, where a strong export recovery seems now assured, should not unduly precipitate the desirable medium-term reduction of its public deficits. In general, all Member States must aim at balance in the use of monetary and budgetary policies, and desist from discriminatory measures in either domain that threaten the basic economic principles of the Community; the prospects for export-led recovery can only be based on keeping open markets for trade.

- (iii) The large depreciation of the ECU against the dollar and yen over the past months means that the Community have a new opportunity to improve its share in world markets, and increase investment and employment. But the inflationary impact of the depreciation must be contained, and this is a further reason why adjustments must urgently be made in indexation practices in some Member States, and expectations for real income gains be still lowered more generally for the time being.

- (iv) Internationally, moreover, the volatility of interest and exchange rates is of major concern; indeed it represents a serious threat to Europe's incipient economic recovery, notably because of the great fluctuations in costs and in the continuing uncertainties that the enterprise sector has to face. The Community should pursue these issues in depth in discussions with the other major monetary powers. The Community, the United States and Japan basically share the same monetary policy objectives and there is much to be done, including in the Community (as mentioned with regard to budgets and incomes) to relieve the strain on monetary policies. However the United States should also bear in mind the significant international consequences of different choices that are open to it in the framing and execution of its budgetary and monetary policies. The main policy stance of the major industrial countries does affect the functioning of the world economy and should, therefore, be discussed in the forthcoming international meetings.
- (v) The medium-term outlook reinforces the need for the accentuation of adjustment policies in many Member States, and persistence throughout the Community in efforts to promote investment in energy saving and production and in new industrial capacity, and to moderate labour costs (including both incomes and social security levies).
- (vi) Unemployment and inflation are problems which should be tackled jointly, as generally agreed recently by the Joint Council of Ministers of Employment and Social Affairs and of Financial Affairs. An improvement in the overall economic situation, and hence in employment, implies persistent actions and efforts in a wide area of social and economic policies over several years and specific urgent actions to combat the high unemployment of young people. The efficiency of national policies can be strengthened by a stronger degree of coordination and cooperation between Member States and could also be assisted through reinforced actions at Community level.

MONETARY RELATIONS WITH THIRD COUNTRIES

The Council held an exchange of views on problems arising in monetary relations between the Community and third countries.

It had before it for this purpose an opinion of the Monetary Committee and a report of the Committee of Governors of the Central Banks.

It should be noted that the European Council had also examined this matter and that the President of the European Council had summed the matter up as follows:

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

The Council concluded this point by inviting those who would be taking part in the Economic Summit in Ottawa to take into account the approach evolved by the European Council, the opinions of the two above-mentioned Committees and today's discussions.

NEW COMMUNITY INSTRUMENT - NCI II

Following an exchange of views on the proposal for a Decision empowering the Commission to contract loans for the purpose of promoting investment within the Community, the Council instructed the Permanent Representatives Committee to continue to examine this proposal in order to arrive at a common attitude at its ECO/FIN meeting in September.

EXPORT CREDITS

Concluding an exchange of views, the Council stated the need to:

- maintain the Arrangement on guidelines for export credits;
- arrive at a Community position with a view to the resumption of the negotiations for the adjustment of this Arrangement scheduled for 5 to 7 October 1981 in Paris.

The Council accordingly instructed the Permanent Representatives Committee to prepare draft terms of reference by the Council meeting in September.

MISCELLANEOUS DECISIONS

Customs Union

The Council adopted in the official languages of the Communities the Regulation increasing the volume of the Community tariff quota opened, for 1981, by Regulation (EEC) No 3441/80 for newsprint falling within Common Customs Tariff subheading 48.01 A.

Agriculture

The Council adopted in the official languages of the Communities

- Decisions

- = on the restructuring of the system of agricultural surveys in Italy
- = amending Decision 76/557/EEC regarding the inclusion of certain disaster-stricken communes in Italy among the mountain areas within the meaning of Directive 75/268/EEC on mountain and hill farming in certain less-favoured areas
- the Regulation laying down the conditions for the transitional maintenance of certain national aids by the Hellenic Republic in the field of socio-structural Directives.

Appointments

On a proposal from the United Kingdom Government, the Council appointed Mr J.R. BODDY, National Union of Agriculture and Allied Workers, and Mr T. JENKINS, Trades Union Congress, members of the Economic and Social Committee to replace Mr J. GORMLEY and Mr M. WALSH, respectively, both of whom have resigned, for the remainder of their terms of office, which run until 18 September 1982.

The Council also appointed:

- on a proposal from the Irish Government, Mr Anthony James MAHER, Managing Director, Coal Information Services Ltd., member of the ECSC Consultative Committee, in the place of Mr James J. HUSSEY, who has died, for the remainder of the term of office, which runs until 24 November 1982;
- on a proposal from the Danish Government, Mr Erik OHRT, Underdirektør Jern- og Metalindustriens Sammenslutning, member of the ECSC Consultative Committee in the place of Mr Jørgen HARNE, who has resigned, for the remainder of the term of office, which runs until 24 November 1982.

The Council also appointed:

- on proposals from the Netherlands Government, Mr H. HOFSTEDE, Sekretaris van het Christelijk National Vakverbond, full member of the Advisory Committee on Freedom of Movement of Workers, in the place of Mr D.H. GRASMAN, who has died, for the remainder of the term of office, which runs until 16 March 1982;

- on a proposal from the Italian Government, Mr Gian Luca BERTINETTO, Consigliere di Legazione, Directorate-General for Emigration and Social Affairs at the Ministry for Foreign Affairs, full member of the Advisory Committee on Freedom of Movement for Workers, in the place of Mr Giovanni MIGLIUOLO, who has resigned, for the remainder of the term of office, which runs until 16 March 1982.

The Council also appointed, on a proposal from the Italian Government, Mr Mario CAPPETTA, Primo Consigliere, Permanent Representation of Italy, full member of the European Social Fund Committee, in the place of Mr Giovanni MIGLIUOLO, who has resigned, for the remainder of the term of office, which runs until 9 November 1982.

Finally, on a proposal from the Irish Government, the Council appointed Mrs Clare CARROLL, European Officer, Federated Union of Employers, alternate member of the Advisory Committee on Safety, Hygiene and Health Protection at Work, in the place of Mr John DOHERTY, who has resigned, for the remainder of the term of office, which runs until 22 November 1981.

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BRUXELLES, LE 3 JUILLET 1981
NOTE BIO (81) 271 AUX BUREAUX NATIONAUX
C.C. AUX MEMBRES DU GROUPE DU PORTE PAROLE

OBJET : PREPARATION DU CONSEIL ECO/FIN DU LUNDI 6 JUILLET

(C. BOON)

LES MINISTRES DE L'ECONOMIE ET DES FINANCES SE REUNISSENT
LUNDI A BRUXELLES A 14H30.

4 POINTS SONT A L'ORDRE DU JOUR :

1. PROPOSITION DE LA COMMISSION AU CONSEIL SUR LE NIC II (VOIR
BIO SUR LE CONSEIL ECO/FIN DU 15 JUIN 1981)

LA DISCUSSION AU COREPER N'A PAS PERMIS DE DEGAGER DES ELEMENTS
TRES NOUVEAUX PAR RAPPORT AU DERNIER CONSEIL. LE DEBAT LUNDI
SERA CENTRE SUR LA FIXATION OU NON D'UN PLAFOND D'EMPRUNTS.

2. TAUX D'INTERETS AUX USA (VOIR EGALEMENT BIO DU PRECEDENT
CONSEIL ECO/FIN)

COMME DECIDE LE MOIS DERNIER, LE CONSEIL AURA UN DEBAT SUR
BASE DE L'ARGUMENTAIRE DEMANDE AU COMITE MONETAIRE. NOTEZ
BIEN QUE L'AVIS DU COMITE MONETAIRE NE CONTIENT PAS DE
PROPOSITIONS, MAIS REPRESENTE UNE BASE TECHNIQUE POUR UNE
EVALUATION COMMUNE DE LA SITUATION PAR LES MINISTRES, LAQUELLE
EVALUATION POURRAIT MENER A ARRETER UNE POSITION COMMUNE.

3. EXAMEN TRIMESTRIEL DE LA SITUATION ECONOMIQUE DANS LA
COMMUNAUTE

IL S'AGIT DU DEUXIEME EXAMEN ANNUEL TEL QUE PREVU PAR LA
DECISION DU CONSEIL DU 18 FEVRIER 1974 SUR LA CONVERGENCE.

LE DEBAT AURA LIEU SUR BASE D'UNE COMMUNICATION DE LA COMMIS-
SION QUI REPREND TRES LARGEMENT LA COMMUNICATION FAITE A
L'INTENTION DU CONSEIL EUROPEEN.

4. CREDITS A L'EXPORTATION BENEFICIANT DE SOUTIEN PUBLIC
(VOIR BIO DU PRECEDENT CONSEIL ECO/FIN)

LE CONSEIL DOIT POURSUIVRE SOUS CE POINT LE DEBAT D'ORIENTA-
TION COMMENCE LE MOIS DERNIER

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NOTE BIO (81) 271 - SUITE 2 AUX BUREAUX NATIONAUX
C.C. AUX MEMBRES DU GROUPE DU PORTE PAROLE

OBJET : SESSION DU CONSEIL ECO/FIN DU 6 JUILLET 1981 (C. BOON)

POINTS DISCUTES EN SEANCE RESTREINTE :

I. - DEUXIEME EXAMEN TRIMESTRIEL DE LA SITUATION ECONOMIQUE
DANS LA COMMUNAUTE (SUIVANT L'ARTICLE 3 DE LA DECISION
"CONVERGENCE" DU 18 FEVRIER 1974.)

LE POINT A ETE INSCRIT A L'ORDRE DU JOUR POUR REPENDRE FORMEL-
LEMENT A L'ARTICLE 3 DE LA DECISION CONVERGENCE SUS-CITEE ET
N'A PAS DONNE LIEU A DEBAT.

II. - TAUX D'INTERETS AUX USA

LES REPRESENTANTS DU COMITE MONETAIRE ET DU COMITE DES
GOUVERNEURS DES BANQUES CENTRALES ONT FAIT RAPPORT AU CONSEIL.
A L'ISSUE DE LA SESSION, SIR GEOFFROY HOWE, EN SA QUALITE DE
PRESIDENT EN EXERCICE DU CONSEIL A FAIT LA DECLARATION
SUIVANTE :

■ - UN ACCORD GENERAL S'EST DEGAGE AU SEIN DU CONSEIL QUANT A
■ L'APPROCHE QU'IL CONVIENT DE FAIRE SUR LA QUESTION DES
■ TAUX D'INTERETS AMERICAINS.

■ - LE CONSEIL S'EST PRONONCE DE FACON UNANIME SUR
■ L'IMPORTANCE DE "L'OBJECTIF ANTI-INFLATION" DES ETATS-
■ UNIS,

■ - LES PROBLEMES QUE CONNAISSENT LES ECONOMIES EUROPEENNES
■ SONT ESSENTIELLEMENT LES RESULTATS DE SITUATIONS INTERNES
■ A L'EUROPE.

■ - MAIS LES FLUCTUATIONS DES TAUX D'INTERETS ET DES TAUX DE
■ CHANGE AMERICAINS ONT DES CONSEQUENCES SUR LES POLITIQUES
■ QUE MENENT CONTRE L'INFLATION LES PAYS DE LA CEE.

■ - IL A ETE SUGGERE AU CONSEIL QUE L'ON METTE LE DOIGT A
■ OTTAWA SUR L'OBJECTIF COMMUN (LUTTE CONTRE L'INFLATION)
■ EN VOYANT SI LES MESURES INDIVIDUELLES PRISES POUR LUTTER
CONTRE L'INFLATION SONT COMPATIBLES ENTRE ELLES.

■ - IL A ETE DEMANDE AU COMITE MONETAIRE DE POURSUIVRE SES
■ ETUDES ET DE PRODUIRE DES CHIFFRES RELATIFS AUX EFFETS
■ DE LA POLITIQUE AMERICAINE SUR LES ECONOMIES EUROPEENNES.

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C. BOON GPP B. 1/6 3810 7.7.81

M. SANTARELLI



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JE VOUS RAPPELLE QUE LA POSITION DE LA COMMISSION TELLE QU'EXPRIMEE A PLUSIEURS REPRISES PAR M. ORTOLI EST SCHEMATI-
QUEMENT LA SUIVANTE :

1. CAUSES DES TENSIONS MONETAIRES ACTUELLES

EUROPE :

- - DIVERGENCES DES TAUX D'INFLATION DE 5,8 0/0 (ALLEMAGNE)
■ A 24 0/0 (GRECE)
- - EFFETS DES DEFICITS DE BALANCE DES PAIEMENTS
- - INSUFFISANTE CONVERGENCE DES POLITIQUES MONETAIRES DANS
■ LA COMMUNAUTE.

EVOLUTION DU DOLLAR : APPRECIATION DE 35 ■ 0/0 42 0/0 PAR
RAPPORT AUX MONNAIES EUROPEENNES DE MI-JUIN 1980 A MI-JUIN
1981.

FORTE APPRECIATION DU YEN EGALEMENT A L'EGARD DES
MONNAIES EUROPEENNES, MAIS L'INCIDENCE EST MOINDRE QUE CELLE
DE LA MONNAIE ■■■■■ AMERICAINE :

- - LE YEN N'EST PAS UNE PETRO-MONNAIE,
- - NI UNE MONNAIE DE RESERVE.

2. LES AMERICAINS ONT POUR OBJECTIF NUMERO 1 LA LUTTE CONTRE
L'INFLATION ET UTILISENT A CETTE FIN LA SEULE POLITIQUE
MONETAIRE

L'EUROPE A CE MEME OBJECTIF DE LUTTE CONTRE L'INFLATION ET
PAR CONSEQUENT L'APPROUVE PLEINEMENT.

3. MAIS,

NOS PROBLEMES DE CROISSANCE DE BALANCE DES PAIEMENTS ET DE
CHOMAGE ET LE FAIT QUE NOUS SOMMES TRES OUVERTS VERS L'EXTE-
RIEUR FONT QUE NOUS SUBISSONS FORTEMENT LES CONSEQUENCES DE
LA POLITIQUE MENEES PAR TROIS EFFETS :

- - UN EFFET INFLATION : PAR L'AUGMENTATION DES COUTS ET DES
■ TAUX DE CHANGE
- - UN EFFET INVESTISSEMENTS : CEUX-CI DEVIENNENT TROP
■ CÔUTEUX
- - UN EFFET BUDGET : PAR UNE AGGRAVATION DE LA DETTE PUBLIQUE.

4. OBJECTIF A COURT TERME

CONCILIER EN TERMES TECHNIQUES LA REALISATION D'UN OBJECTIF
SOUHAITABLE AUX USA SANS QUE CELA CREE DES PROBLEMES EXCESSIFS
A LEURS PARTENAIRES.

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5. SOUHAITS A LONG TERME

MAINTIEN DES RAPPORTS - DOLLAR (YEN AUSSI) ET ECU - SANS RIGIDITE EXCESSIVE, A L'INTERIEUR DE "ZONES DE VRAISEMBLANCE" REFLETANT LES SITUATIONS ECONOMIQUES, COMMERCIALES ET MONETAIRES RELATIVES DES USA (JAPON AUSSI) ET DE LA COMMUNAUTE.

NECESSITE D'UNE COOPERATION INTERNATIONALE EN MATIERE DE RELATIONS MONETAIRES INTERNATIONALE, DE MEME NATURE QUE CELLE QUI EXISTE EN MATIERE D'ECHANGES COMMERCIAUX.

III. - CREDITS A L'EXPORTATION BENEFICIANT DE SOUTIEN PUBLIC

LES CONCLUSIONS DU DEBAT D'ORIENTATION TELLES QU'EXPRIMEES PAR LA PRESIDENCE SONT LES SUIVANTES :

- - LE CONSEIL ENTEND MAINTENIR LE CONSENSUS
- - IL ENTEND PAR CONSEQUENT ADOPTER UNE POSITION COMMUNE POUR LES DISCUSSIONS QUI REPENDRONT EN OCTOBRE A L'OCDE.
- - LE DOSSIER A ETE RENVOYE AU COREPER POUR PREPARATION DU DEBAT DE SEPTEMBRE QUI DEVRAIT ABOUTIR A L'ADOPTION D'UN MANDAT DE NEGOCIATION A L'INTENTION DE LA COMMISSION.

POINT TRAITE EN SEANCE NORMALE :

IV. - NIC II

UNE DECISION SUR LE RENOUVELLEMENT DE L'INSTRUMENT DEVRAIT POUVOIR ETRE PRISE EN SEPTEMBRE PROCHAIN. LA DELEGATION ALLEMANDE A MAINTENU SA RESERVE GENERALE EN DEMANDANT UN DELAI SUPPLEMENTAIRE DE REFLEXION, JUSQU'A L'AUTOMNE. M. ORTOLI, SOUTENU EN CELA PAR PLUSIEURS DELEGATIONS, A INSISTE SUR LE FAIT QUE NE PAS RENOUVELER L'INSTRUMENT, C'EST-A-DIRE ARRETER UNE OPERATION COMMUNAUTAIRE SERAIT UN GESTE POLITIQUE LOURD DE SIGNIFICATION. L'ON ABANDONNERAIT EN EFFET AINSI UNE PRIORITE QUE POURTANT DU CONSEIL DES MINISTRES AU CONSEIL EUROPEEN, L'ON NE CESSE DE PLACER AU PREMIER RANG.

LE PROCHAIN CONSEIL AURA LIEU LE 17 SEPTEMBRE A 11HEURES.

AMITIES
M.SANTARELLI COMEUR
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