

less than 5% used. 5% inflation.
Income - moral persuasion.
Not substituting prices.
Oil price peaked - fully.

Bal P deficit - have to export more
only export ~~and~~ surplus.

High wages - inflation in labor
- reserves

If more in market other labor products.

Products require less oil.

New technology - new investment

Italy

- Fight inflation

- Reduce Deficit.

- Cont. expect U.S. to change policy

which began at Gode

Lebanon - Deal with Japan on GTR basis.

- Replace consumer exp. by productive investment.

- Return full approach to world trade

- belong for group of 3 hours
Community wage.

Summary by the Presidency of the proceedings of
the European Council

Luxembourg, 29-30 June 1981

Prime Minister
(suggested amendments shown)

1. The European Council discussed in depth the present social and economic situation in which the European Community and the Member States find themselves at the time when the first signs of improvement in the business cycle are becoming visible, but when the ravages of inflation and unemployment have by no means been brought under control. In the same context the European Council reviewed the Communities' position with regard to the Western Economic Summit in Ottawa and dealt with the need to preserve and strengthen the Communities' internal market. The European Council discussed these interlocking problems on the basis of a paper presented by the European Commission on the economic and social situation in the Community, the general orientation of which received unanimous approval.
2. The European Council expressed its firm conviction that by the pursuit of coordinated vigorous, yet flexible policies, maintained over a sufficient length of time, the Community will be able to overcome the present social and economic difficulties and return to a situation of economic growth, stability and satisfactory levels of employment. In particular, the problem of mass unemployment which is a major preoccupation for all the members of the European Council should not be approached in any spirit of fatalism.
3. In this light the European Council reviewed the work done by the Joint Council (ECO/FIN-Social Affairs) and agreed that a sound foundation had been laid for subsequent action. In particular, there was agreement that the highest priority should be accorded to coordinated action against inflation and unemployment, and that the fact that the deepest point of the recession seems now to be past should be no reason for relaxation of efforts or a slowing down in policies aimed at structural adjustment.

limited option - must not be too open-ended.
Development of competitive capacity
W. in int. for countries - industrial countries
the same but produce more
.../...

4. The major responsibility for these actions lies with national governments, but their effectiveness will be increased by co-ordination within a Community framework. These actions will, of course, vary from country to country in light of their particular possibilities and the constraints with which they are faced. A major effort ^{is needed} ~~should be made~~ both at the national and the Community level, to ^{encourage} ~~increase~~ investments aimed at higher growth and employment. Investment should be directed in particular to industries with a high innovative potential and which will secure for the Community in the coming decades ^{its} ~~the~~ place in the industrial world ~~[to which it is entitled.]~~

The European Council was convinced that investment in energy conservation and production is of vital importance. Care should be taken not to waste precious funds on economic activities that are bound to decline in importance. In the same connection it was underlined that considerable growth potential is to be found in the sector of small and medium enterprises.

5. The European Council took note of the fact that in some Member States the reduction in working time is seen as a significant element in the battle against unemployment. It was agreed that further study to evaluate the effects of such measures would be made at the Community level. In this connection, the competitive position of European industries vis-à-vis other industrialised countries deserves close attention.

6. It was stressed that optimal use should be made of the Community's financial instruments and of the facilities of the European Investment Bank to promote the flow of productive investment. Efforts should also be undertaken to secure a larger economic benefit from the research activities that are under way in the Community and the Member States.

.../...

7. The European Council reaffirmed its commitment to a meaningful social policy by the European Community. It approved the conclusions reached by the Joint Council with regard to the labour market and the problems of unemployment. It took note with interest of suggestions made for the promotion of harmonised working conditions and workers' rights. It expressed its conviction that the pursuit of balanced and purposeful social and economic policies require close consultation with the social partners.
8. The European Council echoed the alarm sounded by the Commission on the state of the internal market, which is increasingly threatened by intentional and unintentional barriers to trade and by the pervasive use of subsidies to ailing industries. The European Council agreed that a concerted effort must be made to strengthen and develop the free internal market for goods and services which lies at the very basis of the European Community and which is the platform from which it conducts its common commercial policy.
9. 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 U.S., but the U.S. 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.

.../...

10. The European Council also reviewed the Community's relations with Japan and it was agreed that in Ottawa close attention should be given to a broad span of questions relating to the smooth functioning of the open and multilateral world trading system, including the patterns of export policies and the need for effective openness of domestic markets, in particular the Japanese market. These issues should be kept under regular review and in doing so the Community should make the fullest possible use of its bargaining power as an entity.

particularly where these
involved concentrations on
specific markets and in
narrow sectors
h

Thank you very much

Slatten

Slatten prices to be added.

Get-ups plus prices

.../...

North-South Dialogue

11. The European Council approved the report on North-South policy drawn up by the Council (General Affairs) and recommended its approach for subsequent action. It is of the opinion that cooperation with developing countries and the intensification of international economic relations serve the interests of all concerned and that they are necessary not only in order to strengthen the economies of the developing countries but also to promote the recovery of the world economy. It considers it intolerable that widespread poverty and hunger persist in various parts of the developing world.

The European Council was of the opinion that the preparations for the new round of global negotiations should be completed as soon as possible. It emphasised the crucial importance of a positive impetus to be given ~~[to this effect]~~ by the summit conferences in Ottawa and Cancun.

Implementation of the 30th May 1980 mandate

The Heads of State and Government had a first discussion of the Commission's paper. They confirmed that the implementation of the 30th May mandate would be a major topic for the meeting in London on 26/27 November where appropriate conclusions are to be reached. The Heads of State and Government asked the General Affairs Council to make thorough and timely preparations for their meeting in November. They asked the Commission to continue its contribution and to make appropriate formal proposals in good time. The Heads of State and Government made it clear that they intended to take a close and continuing personal interest in the work under the 30th May mandate, which they regarded as essential to the future wellbeing and development of the Community.

Peer Rev

① Substantive discussion
not possible for
J. Rev.

∴ ② Procedure as for
beginning of 1980, to
consider for 1981 what
change 1 yr. after
the Peer Rev or other
or under 2 Milestones,

EU would do it unimp.
with.

in order,

More moderate prod: - more competitive
to put π in order,

Differences determined by different conditions
in several countries.

Some have high ratio of utilities = 15.4%

" " sound budgets - 1.1%

Conditions vary
from one country
to another.

In first place for the countries
must correct their policies =

Diff. means in France, Germany, Italy
etc.

We do not want to present policies for
output.

Any further idealisation of the Community
is not in line with the realities of life.

Lic. Nov. sit-?

①

Lic. summit in Ottawa.

② Mandate of 30th May. - Restructuring
Rev. of Policy.

③ Middle East Problems.

④ North South Relations

Low level of
unemployment

Ortoli.

Sign of Recovery. - but difficult.

Negative growth.

Bp deficit.

Inflation. 11%.

Unemployment. 7.7% '81.

Recovery - Export orders. Revised limited.

Exchange Rate. Interest Rate.

Problems

1. Not to reduce deficit too rapidly. (BOP).
- Gradualness.

2. Export - may be of measure.

- Budget deficit - very great in some countries.

- small.

Accept increase of deficit - to limit extent.

3. Loss of functions in Exchange rates.

Problems.

- ↳ World Recession.
- ↳ Difficult Selling of World Trade.
- ↳ Liberalism - Protectionism.

Might be
worse.
Help market
for old change.
~~Interest~~ To new.

Financing - Investments - at National Level.

Rate of Int.

Constructive

Not unwise

Proceed on oil peacefully.

- ↳ ① Structural Change
- ↳ ② What reform would
stem by production.
- ↳ ③ Shouldn't be front of
new business
expansion.

Red: in wage time

- Hours -

Wage hours.

Distribution with available.

Investment - low consumption.
have unemployment - higher labor costs
~~the~~ U.S. system

Other important
Must - remuneration
- collaboration
- stability.

1 Develop ERM reviv. through
with investment.
through bank. - Joint bank

2 Real industrial policy.
- choose sectors of future.
Energy, Hardware, S-6-00
ED. in Research
Major public works.

#

3 Social Conditions.
Combat of dismissals.
Participation in Europe.

Not beg. Japan to do anything.
- Japan market is impenetrable.

Deal of trade with 3rd world.
U.S. less interested.

U.S. has E/W obsession
M/S not with financial liberalization.

Part. of World Bank + IMF.

New institutions

Research organizations.

IMF on various forms of stabilization

Helps poor people - in our own interest.

Ind can work by
working with 3rd world

Fight hard against unemployment
Not by denying progress
By using it

France - On common Europe.

France - play part - contribute to Europe.

Hope Community will succeed

Interested to Obeey rules - although on indiv. points
Put forward own view.

Rc. Face same crisis.

Avoid theory

Country would - reason transferred over period

Industries that prospered. Jobs that prospered.
more handicapped.

∴ Difficult for Frenchments live.

Ind. able to compete.

Newspapers 2m. unemployed.

Inflation - ~~the~~

More unemployed than inflation.

Inflation due to oil price

10% inflation without oil price

Fr - low budget deficit.

Proposals for Commission on right lines.

New Fr. Govt on diff. direction

"Survival" - Growth not stopped for ever.
2-3-4%

Wages - utility - by 7 min.

Revised through selective demand.
i.e. buy Fr. products.

Includes foodstuffs, cars.

Next non-difficult, by then belts.

Revised through investment to give
method of meeting demand

Revised through investment.

Semi-public industries, highly competitive
internationally.

Monopoly - Renault; L.F.

- France present on international market

Co's have big profits but don't invest
Will have to introduce innovation or
retreat.

Med. small enterprise can be in forefront.

Mixed etc.

More towards innovation.

Revised not through excessive expenditure.

Revised. 3% of G.D.P.

Adaptation in 3-4 ind. revolutⁿ

Set up more fast.

Plant keep up

Part of working hours - Don't reduce sales
if better productivity.
70% capacity.

Toronto - Initiative on Unemployment. fm
 - other in PROTECTION.
 - charge ec. comm.
 - common and coordinated effort.

Increase in Investment. vital.

Research for Oil.

Charge power stations.

Belgium. PRIORITY to Structural Reorganization
 NOT COMMON MARKET.

Hidden Protection.

Small countries - Remind of demand - inflexible.

Old idea - conservative. - They reflect.

Unemployment - / Inflation.

← More ~~decisions~~ depend on low inflation.

F.R.G. Problems, ^{not} easily overcome of developing countries
 low growth, high infl. high interest rates
 Development aid much compared with investment aid.
 But P. defined by past of history. - Inflexible.
 Stable Prices.

By the U.S. Int. relations.

Mittler - 3rd shock.

Ottawa - Marxist / Keynesian.

Int. Trade. -

Energy transactions in Dollars.
- Price rise.

- ① Policies
- ② Structural Change
Public Policy.
- ③ Intensity - Pay +
co-op. Inflation
late

Francia Sit-². U.S. - Monday

More but use of any major of measure.

STRUCTURAL adjustment.

EMPLOYMENT
=

Cyberd Politics.

Japan.

COMMON STRATEGY - DISCIPLINED effort.

INVESTMENT. - 20-22% into investment

Jpn. 30-32% - -

A PUBLIC EXPENDITURE. - SOCIAL PURSUITS.

B. RECYCLING. - All major int. organizations

C Better Financing of Labor Market.

De Overst. Flexible Retirement.

COMMUNITY Do. - Power of Neoliberal Japan.

- Make same diagnosis.

- Hope.