

EXTRACT FROM THE PRESIDENCY'S STATEMENT AFTER
THE EUROPEAN COUNCIL IN BREMEN

THE ECONOMIC AND SOCIAL SITUATION

The European Council states that in the face of the dangers resulting from the serious disruptions of the world economy, especially since the end of 1973, the Community has come through a very testing time, proved its cohesion and thereby made a decisive contribution to the stabilization of the world economy.

However, the situation within the Community is not yet satisfactory. Consequently, the European Council, meeting in Copenhagen in April 1978, instructed that a common strategy be evolved to overcome the unsatisfactory tendency of economic and social developments in the Community.

The Community and the member states will closely coordinate their action with the other major industrial countries which are their partners, since the problems involved will be overcome better by means of close international cooperation extending beyond Europe, in which heed must also be paid to the developing countries' interests. The meeting of heads of state and of government of the seven major industrial nations in Bonn on 16 and 17 July 1978, at which the community is to be represented by the President of the Council and the President of the Commission, will provide a good opportunity for this. The European Council has arrived at the conclusions set out below regarding the action to be taken by the Community and in the member states.

1. Economic Policy

The European Council has decided on a common approach in order to achieve a considerably higher rate of economic growth and thus reduce the level of unemployment in Europe by fighting inflation, establishing a greater measure of monetary stability, expanding international trade, achieving progress in the energy sector, reducing regional disparities and stimulating demand. In pursuing this course no new dangers must arise to threaten the economic balance. In particular, the efforts to reduce inflation and disparities in cost and price trends between the individual countries must be continued.

A common approach by means of complementary measures will help to minimize the internal and external economic policy constraints of individual member states and increase the effectiveness of such measures.

All member states will take the necessary measures according to the room for maneuver under their respective economic policies. The scope available to individual member states depends, of course, on their different situations, notably the success of their efforts to fight inflation, their balance of payments situation, their foreign currency reserves, the size of their public sector deficits and the extent of their unused production capacities. Countries without inflation and balance of payments problems will do more to increase domestic demand, in particular investment demand and rate of economic growth. Countries with steeply rising prices will first concentrate in particular on undesirable inflationary developments.

This coordinated approach in all areas of economic policy should help strengthen the confidence of investors and consumers in longer term growth perspectives.

2. Monetary Policy

Following the discussion at Copenhagen on 7 April, the European Council has discussed the attached scheme for the creation of a closer monetary cooperation (European Monetary System) leading to a zone of monetary stability in Europe, which has been introduced by members of the European Council. The European Council regards such a zone as a highly desirable objective. The European Council envisages a durable and effective scheme. It agreed to instruct the finance ministers at their meeting on 24 July to formulate the necessary guidelines for the competent community bodies to elaborate by 31 October the provisions necessary for the functioning of such a scheme--if necessary by amendment. There will be concurrent studies of the action needed to be taken to strengthen the economies of the less prosperous member countries in the context of such a scheme: such measures will be essential if the zone of monetary stability is to succeed. Decisions can then be taken and commitments made at the European Council meeting on 4 and 5 December.

The Heads of Government of Belgium, Denmark, the Federal Republic of Germany, Luxembourg and the Netherlands state that the "snake" has not been and is not under discussion. They confirm that it will remain fully intact.

ANNEX TO THE SUMMARY OF CONCLUSIONS OF THE
PRESIDENCY OF THE EUROPEAN COUNCIL

- Bremen, 6 and 7 July 1978 -

1. In terms of exchange rate management the European Monetary System (EMS) will be at least as strict as the "Snake". In the initial stages of its operation and for a limited period of time member countries currently not participating in the snake may opt for somewhat wider margins around central rates. In principle, interventions will be in the currencies of participating countries. Changes in central rates will be subject to mutual consent. Non-member countries with particularly strong economic and financial ties with the Community may become associate members of the system. The European Currency Unity (ECU)⁽¹⁾ will be at the centre of the system; in particular, it will be used as a means of settlement between EEC monetary authorities.

2. An initial supply of ECUs (for use among Community central banks) will be created against deposit of US dollars and gold on the one hand (e.g. 20 per cent of the stock currently held by member central banks) and member currencies on the other hand in an amount of a comparable order of magnitude.

The use of ECUs created against member currencies will be subject to conditions varying with the amount and the maturity; due account will be given to the need for substantial short-term facilities (up to one year).

3. Participating countries will co-ordinate their exchange rate policies vis-à-vis third countries. To this end they will intensify the consultations in the appropriate bodies and between central banks participating in the scheme. Ways to co-ordinate dollar interventions should be sought

(1) The ECU has the same definition as the European Unit of Account.

which avoid simultaneous reverse interventions. Central Banks buying dollars will deposit a fraction (say 20 per cent) and receive ECUs in return; likewise, central banks selling dollars will receive a fraction (say 20 per cent) against ECUs.

4. Not later than two years after the start of the scheme, the existing arrangements and institutions will be consolidated in a European Monetary Fund⁽¹⁾.

5. A system of closer monetary co-operation will only be successful if participating countries pursue policies conducive to greater stability at home and abroad; this applies to deficit and surplus countries alike.

(1) The EMF will take the place of the EMCF