COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT

PRESS RELEASE

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1637th Council meeting

ECONOMIC AND FINANCIAL QUESTIONS

Brussels, 18 January 1993

President: Mr Thor PEDERSEN
Minister for Economic Affairs
of the Kingdom of Denmark

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

Belgium	
Mr Philippe MAYSTADT	Minister for Finance
Denmark	
Mr Thor PEDERSEN	Minister for Economic Affairs
Germany	
Mr Horst KÖHLER	State Secretary for Finance
Greece	
Mr Stefano MANOS	Minister for Economic Affairs
Spain	
Mr Carlos SOLCHAGA	Minister for Economic Affairs and Finance
Mr Pedro PEREZ	State Secretary for Economic Affairs and Finance
France	
Mr Michel SAPIN	Minister for Economic and Financial Affairs
Ireland	
Mr Bertie AHERN	Minister for Finance
Italy	
Mr Piero BARUCCI	Minister for the Treasury
Luxembourg	
Mr Jean-Claude JUNCKER	Minister for Finance
Netherlands	
Mr Wim KOK	Minister for Finance
Portugal:	
Mr Jorge BRAGA DE MACEDO	Minister for Finance
United Kingdom	
Mr Norman LAMONT	Chancellor of the Exchequer

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Commission:	
Mr Jacques DELORS	President
Mr Henning CHRISTOPHERSEN	Vice-President

The following also attended:	
Mr Jean-Claude TRICHET	Chairman of the Monetary Committee
Mr José Juan RUIZ	Chairman of the Economic Policy Committee
Mr Ernst Günther BRÖDER	President of the EIB

MULTILATERAL SURVEILLANCE - PRESIDENCY CONCLUSIONS

The Council noted that the economy of the Community had now reached a critical stage and was in danger of going into recession. Progress had to be made towards an acceptable degree of nominal convergence outside EMU. This meant that low-growth problems had to be solved. The Council agreed that each individual Member State would maintain and step up its efforts to that end. On that basis the Council reaffirmed its desire to strengthen co-ordination of Member States' economic policies at Community level in order to encourage economic growth and reduce unemployment in accordance with the Edinburgh conclusions.

In both cases, the problems would be lessened by having a more flexible monetary policy. But it was agreed that it was first necessary to create the conditions for a responsible lowering of interest rates. This could be achieved inter alia by wage restraint and more healthy public finances with increased emphasis on investment.

The Council noted with interest Germany's intentions regarding budget policy and wage formation. In the other countries Ministers had confirmed their intention of introducing measures to strengthen confidence in economic policy.

The Council noted that the Commission would be establishing bilateral contacts with all Member States with a view to providing a general picture of their concrete plans at the ECOFIN Council meeting in February.

Finally, the Council was pleased to note that the Commission would be consulting management and labour in order to obtain their recognition of the importance for the Community's competitive ability of flexibility on the labour market and wage restraint. The Commission would try to ensure that management and labour made their contribution to efforts by the Community and the Member States to increase growth and employment. The Council looked forward to the Commission's report on the outcome of these contacts.

LOAN TO THE ITALIAN REPUBLIC

The Council adopted a Decision concerning a loan of ECU 8 000 million (or the equivalent amount in other currencies) to be granted by the Community to the Italian Republic as medium-term financial assistance intended to support its balance of payments and to enable it to implement its economic adjustment and reform programme.

The loan will be made available to the Italian Republic in four instalments, each of ECU 2 000 million for an average of six years.

The four instalments will be paid out respectively on 1 February 1993, 31 July 1993, 1 February 1994 and 1 February 1995 at the earliest.

Payment of the instalments will be subject to the effective implementation of the budgetary reform programme for the three-year period 1993-1995 submitted by the Italian Government, of which the measures agreed are set out in the recitals to the Council Decision, namely:

The budgetary targets for 1993, 1994 and 1995 are set in order to achieve the stabilization of the public debt ratio by 1995. On the basis of a projected GDP growth of 1,5% in 1993, 2,4% in 1994 and 2,6% in 1995 they are:

- for 1993, LIT 150 trillion for the state sector borrowing requirement, with a surplus for the state sector borrowing requirement net of interest payments (the primary surplus) of LIT 50 trillion;

- for 1994, LIT 125 trillion for the state sector borrowing requirement, with a primary surplus of LIT 77 trillion;

- for 1995, LIT 85 trillion for the state sector borrowing requirement, with a primary surplus of LIT 115 trillion.

These amounts represent:

- for the state sector borrowing requirement, 9,3% of GDP in 1993, 7,3% in 1994 and 4,7% in 1995;

- for the primary surplus, 3,1% of GDP in 1993, 4,5% in 1994 and 6,4% in 1995.

The corresponding development of the state sector gross debt/GDP ratio is 110,6% at end 1993, 112,5% at end 1994 and 112,4% at end 1995.

PROMOTING ECONOMIC RECOVERY IN EUROPE

The Council heard presentations by Commissioner CHRISTOPHERSEN and Mr BRÖDER, President of the Investment Bank, on action taken or planned in order to comply with the brief given by the Edinburgh European Council on the establishment of a European Investment Fund (EIF) of ECU 2 000 million and the setting up within the EIB of a temporary lending facility known as the "Edinburgh facility" of ECU 5 000 million.

With regard to the "Edinburgh facility", the EIB Board of Directors would examine on 26 January 1993 guidelines on financing infrastructure in the three main sectors of intervention, namely transport, telecommunications and energy, and infrastructure in the assisted regions.

Regarding the EIF, the Council noted the Commission's proposals firstly, to give the EIB the power to contribute to the EIF and secondly, to make provision for the Community to contribute to the Fund.

During the ensuing exchange of views the importance was stressed in particular of joint action by the Member States, Commission and European Investment Bank in order to achieve tangible results. The importance was also emphasized of financial institutions taking part alongside the EIB and the Commission.

The Council wanted these proposals to be discussed swiftly and therefore asked for the European Parliament's Opinion as a matter of urgency.

The Council instructed the Permanent Representatives Committee to prepare the discussion on the matter so that the two new instruments could be implemented quickly.

In addition, it was noted that the Commission and the EIB had already begun identifying projects which might be suitable for intervention under the two new instruments.

FUNCTIONING OF THE EMS

The Council noted and welcomed the decision of the new Irish Government to maintain the existing parties of the Irish pound within the ERM. Ireland will continue to use all the instruments at its disposal to maintain the present parities and will underpin this position with domestic arrangements.

The Council considers that this policy is entirely justified.

Member States whose currencies currently participate in the ERM are committed within the rules of the EMS to giving the full support that is needed for all participating currencies.

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MISCELLANEOUS DECISIONS

Transport

Following the political agreement reached at the meeting on 7 and 8 December 1992, the Council formally adopted the Regulation on common rules for the allocation of slots at Community airports.

The Regulation establishes a framework of behaviour to ensure that slots are allocated in a transparent, efficient and non-discriminatory way within a context of growing difficulties regarding airport capacity.

Anti-dumping

The Council adopted Regulations extending for a maximum of two months given that the examination of the facts is not yet complete the provisional anti-dumping duty on imports of dead-burned (sintered) natural magnesite and magnesium oxide originating in the People's Republic of China.

Bulgaria, Hungary and Romania
- Negotiation of agreements on wine

The Council decided to authorize the Commission to open negotiations with Bulgaria, Hungary and Romania with a view to concluding agreements on mutual protection and control of wines and on establishing reciprocal tariff concessions.

Iron and steel industry

The Council adopted the Decision designating organizations representing producers and workers required to draw up lists of candidatures for producers' and workers' representatives on the ECSC Consultative Committee.

Brussels, 18 January 1993.

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CC. aux membres du service du Porte-Parole :
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Ecofin Council - 18 janvier
(T. Kroyer)

1. - Balance of payment loan to Italy :

After todays Ecofin Council, the President of the Council, Mr Thor Pedersen, told journalists that the Council had adopted the Commission's proposal to grant a balance of payment loan of 8 billion ECU to Italy. The loan will be disbursed in four tranches over the next two years.

Commissioner Henning Christophersen said that Italy has committed itself to fiscal consolidation whereby the debt-GDP ratio will peak in 1994 and that Italy also is committed to take additionnal measures if its borrowing requirements go up. Also a number of structural reforms will be undertaken as well as tranches of the loan will be disbursed on basis of performance. He underlined that the steps already taken by the italian government are significant and courageous.

2. - Multilateral surveillance and contributions by Member States to create growth :

The President of the Council said that the Council had had a good discussion on the economic development in the member States. There was agreement that wage moderation, fiscal consolidation and switch from current spending to capital spending are essential elements to pave the way for a reduction of the rate of interest. He said that the Commission will take bilateral contacts to all member states soon in order to present a list of concrete plans in the different member States at the next Ecofin Council in February.

Commissioner Christophersen said that the Commission is revising downwards its forecast for growth in 1993. The Commission expects a growth rate of 0.8 in 1993. This reduction is not least due to a forecast of 0 % growth in Germany (F 1.0, I 0.8, UK 1.3, SP 1.0, NL 0.6, B 0.5 G 1.6, DK 1.8, IR 2.1, L 2.0, P 1.3).

3. - Community initiatives to create growth :

Mr Christophersen said journalists that the 5 billion ECU loan facility agreed upon in Edingbourg can be operational very soon as soon as internal EIB decisions have been taken.

As to the 2 billion European Investment Fund the procedure to change the statute of the European Investment Bank has been initialed. It will take some time because the provision must be adopted in an intergovernmental procedure and ratified by member States. In this period, the Commission, the member States and the BEI should identify concrete projects.

4.- EMS

The President of the Council said that ministers had had a discussion on EMS. They welcomed the Irish decision to maintain the existing parities of the Irish pound within the ERM and to continue to use all the instruments at its disposal to maintain the present parities and to underpin this position with arrangements.

The Council considered that this policy is entirely justified by the economic fundamentals.

Member States who's currencies currently participate in the ERM are committed within the rules of the EMS, to giving the full support that is needed for all participating currencies.

Mr Christophersen said that recent speculation against the French franc, the Danish krone and the Irish pound could prove to be expensive for speculators, since the economic fundamentals are in order in these countries.

Amitiés,

Bruno Dethomas.