

PRESS RELEASE

5838/93 (Presse 55)

1654th Council meeting

ECONOMIC AND FINANCIAL QUESTIONS

Luxembourg, 19 April 1993

**President: Ms Marianne JELVED
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:

<u>Belgium:</u> Mr Philippe MAYSTADT	Minister for Finance
<u>Denmark:</u> Ms Marianne JELVED Mr Mogens LYKKETOFT	Minister for Economic Affairs Minister for Finance
<u>Germany:</u> Mr Theo WAIGEL Mr Christoph ZEITLER	Federal Minister for Finance State Secretary for Finance
<u>Greece:</u> Mr Stefanos MANOS Mr Michail GALIENOS	Minister for Economic Affairs State Secretary for Finance
<u>Spain:</u> Mr Carlos SOLCHAGA Mr Pedro PEREZ	Minister for Economic Affairs and Finance State Secretary for Economic Affairs and Finance
<u>France:</u> Mr Edmond ALPHANDERY	Minister for Economic Affairs
<u>Ireland:</u> Mr Bertie AHERN	Minister for Finance
<u>Italy:</u> Mr Piero BARUCCI	Minister for the Treasury
<u>Luxembourg:</u> Mr Jean-Claude JUNCKER	Minister for Finance
<u>Netherlands</u> Mr H.J. BROUWER	General Treasurer
<u>Portugal:</u> Mr Jorge BRAGA DE MACEDO	Minister for Finance
<u>United Kingdom:</u> Sir Norman LAMONT	Chancellor of the Exchequer
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<u>Commission:</u> Mr Henning CHRISTOPHERSEN Mr Peter SCHMIDHUBER Ms Christiane SCRIVENER	Member Member Member
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<u>The following also attended:</u> Sir Brian UNWIN Mr Jean-Claude TRICHET	President of the EIB Chairman of the Monetary Committee

FOLLOW-UP ON THE DECLARATION FROM EDINBURGH ON PROMOTING ECONOMIC RECOVERY IN EUROPE - CONCLUSIONS OF THE COUNCIL

The council (ECOFIN) has today endorsed a new thrust of economic policies designed simultaneously to aim at higher, non-inflationary growth and rising employment and to realize the convergence criteria. These policies constitute a first step in the implementation of the Edinburgh declaration. The Council is determined to provide an improved foundation for confidence and growth.

During the last two years economic growth has slowed - globally as well as in the Community - and unemployment has increased to very high levels. Without new policy measures the Community will be faced with a continuously high level of unemployment during the coming years.

Today's conclusions confirm the will of the council to strengthen co-operation and co-ordination of economic policy.

The nature and scope of the measures taken to enhance growth and employment should differ according to the economic situation and, in particular, the budgetary position of each Member State. It is, however, crucial to ensure that these measures are concerted in both substance and timing. The Commission estimates that the benefit for each Member State regarding growth and employment in this case will be significantly increased. Such concertation should be put into effect to the extent possible for the policies already decided for 1993 and it should be consistently applied in relation to 1994. Public expenditure should be reorientated by giving higher priority to those investments in infrastructure and environment which are of particular importance for economic growth. In parallel higher private investment will be encouraged - both through national policies and through actions at the community level. A more detailed list of such actions is given in the Commission's report: "Promoting Economic Recovery in Europe".

The indicative estimates by the Commission of the direct effects from these initiatives point to an increase in the total GDP in Member States of the order of 0,6% and an employment creation of 450 000 jobs over two years. Perhaps even more important than the direct effects from these initiatives on growth and employment will be the resulting revival in

business and consumer confidence which will be the basis for sustained growth also in the years following 1993-1994. The design of the growth initiative is in accordance with the economic policies as set out in the Maastricht Treaty as higher growth will contribute to fulfilling the convergence criteria - in particular regarding the budget deficits. The initiative comes on top of the establishment of the single market.

The Council has noted with satisfaction the reduced level of interest rates during the last few months. A balanced economic policy will improve the conditions for further reductions.

The Council has also noted with satisfaction that many Member States have accomplished moderate wage settlements, in the private and the public sectors, which gives reason for optimism regarding future price developments. Positive prospects for low inflation in most Member States constitute the foundation for increasing growth and employment and lower interest rates.

In order to increase efficiency and support non-inflationary growth structural reforms will be implemented. The Council has noted with interest the opinion of the Economic Policy Committee (in the report: "Improving the Functioning of the Labour Market") and has decided to have an in-depth discussion at its next meeting.

The Council agrees to continue action to pursue the objective of promoting economic recovery in Europe. The council (ECOFIN) will make a report to the European Council next June on the implementation of the Edinburgh declaration, based on the package of measures presented today and including subsequent decisions and developments in addition to the initiatives taken at community level. A further review of the conjunctural situation, of the effectiveness of the measures already taken and of the possible need for further measures to be included in national budgets for 1994 will be conducted by the ECOFIN Council in the Autumn.

It is also of vital importance that the Uruguay Round negotiations are rapidly and successfully concluded and the community will actively work towards such an outcome.

The growth initiative includes a wide range of actions and measures which have been announced and decided in the last few months at national and Community levels for implementation during 1993; in some cases Member States are already taking advantage of the new or enlarged Community facilities agreed in Edinburgh.

The main areas where national and Community action is being taken are:

- greater priority in public expenditure on infrastructure and other capital investment and on other growth-enhancing spending;
- new facilities and incentives to encourage private investment;
- structural reforms, to make markets work better, increase competition, and reduce subsidies and other distortions,
- improved support for small and medium-sized enterprises, which hold considerable potential for employment creation;
- additional training and other schemes to prepare the unemployed for work and to improve the quality and skills of the labour force;
- wage restraint, economy-wide wage moderation to improve competitiveness and help reduce unemployment.

Besides the specific measures they are taking, some Member States are also giving support to activity by not attempting to offset the effects of the economic slowdown on their budget deficits.

ECONOMIC RELATIONS BETWEEN THE COMMUNITY AND THE USA
AND GLOBAL GROWTH - CONCLUSIONS OF THE COUNCIL

The Community has on 19 April 1993, decided to change and renew the design of economic policies. The aim is to promote economic growth and employment in a balanced and sustainable way. The Community is committed to improving economic convergence with low inflation and sound public finances.

The Council (ECOFIN) recalls that the economic relationship between the Community and the US is of major importance for worldwide economic development.

The Community, the US and Japan have a common responsibility and the economic strength to stimulate world trade, to revitalize global non-inflationary growth including employment. The Community welcomes the common will to embark on a co-ordinated growth initiative. The Community wants to encourage that process, where growth, price stability and employment is at the top of the agenda.

Accordingly, there is a need for an appropriate dialogue to strengthen economic co-operation. To that end proper preparation of the Tokyo Summit is essential. In this respect it is encouraging to observe a certain degree of economic policy convergence on both sides of the Atlantic: stimulating growth without hampering in any respect the necessary medium term strong improvement in public finance.

The Council (ECOFIN) stresses that the European Community and the US are each other's largest single trading partner and have a common interest in expanding trade. It is thus of vital importance that the Uruguay-Round negotiations are rapidly and successfully completed, and bilateral disputes rapidly resolved by negotiations and without escalation.

7TH VAT DIRECTIVE

The Council held a discussion on the issues outstanding regarding the proposal for a Directive on special VAT arrangements applicable to second-hand goods, works of art, collectors' items and antiques. The problems relate in particular to the arrangements governing the taxation of imports of works of art, second-hand items of jewellery and second-hand cars.

The Council instructed the Permanent Representatives Committee to continue to work towards a global compromise to enable it to adopt this important Directive in the near future.

COMPANY TAXATION

The Council took note of a progress report on the common system of taxation applicable to interest and royalty payments made between companies in different Member States.

During the brief debate on this issue, emphasis was placed on the importance of this Directive for the completion of the single market and in the context of the growth initiative for growth in Europe.

The Council instructed the Permanent Representatives Committee to continue work on this Directive to enable it to take a decision at a forthcoming meeting.

INTERINSTITUTIONAL AGREEMENT ON BUDGETARY DISCIPLINE

The Council took stock of the progress of the negotiations with the European Parliament concerning the conclusion of an interinstitutional agreement on budgetary discipline.

The Council called upon the presidency to continue its discussions on the subject with the European Parliament within the proper framework and instructed the Permanent Representatives Committee to examine the various aspects of the dossier in more depth in preparation for the next ECOFIN Council meeting.

EIB LOANS TO ALBANIA

Following a brief exchange of views on the question of a Community guarantee to the EIB against losses under loans for projects in Albania, the Council agreed to resume examination of this dossier at a forthcoming meeting.

MISCELLANEOUS DECISIONS

Fisheries

Following consultations with the Norwegian and Swedish authorities, the Council adopted the Regulation definitively fixing the total allowable catches (TAC) and fishing opportunities allocated to the Member States for the year 1993 in the Skagerrak and Kattegat.

The TACs thus fixed amount to 165 000 t of herring, 45 000 t of sprat, 15 000 t of cod, 4 600 t of haddock, 17 000 t of whiting, 11 200 t of plaice and 10 500 t of northern prawn.

The Council also adopted the Regulation opening and providing for the administration of Community tariff quotas for cod and fish of the species *Boreogadus saida* originating in Norway (1993).

Under this Regulation customs duties in respect of cod and fish of the species *Boreogadus saida* originating in Norway are suspended from 1 April to 31 December 1993 within the limits of tariff quotas of 13 250 t for dried fish and 10 000 t for salted fish.

The Council also adopted the Decision authorizing the Commission to conduct negotiations within the framework of an Intergovernmental Conference on straddling stocks and highly migratory species.

Agriculture

The Council adopted the Regulation opening for 1993, as an autonomous measure, a special import tariff quota for high-quality fresh, chilled or frozen beef and veal falling within

CN codes 0206 10 95 and 0206 29 91. This involved a quota of 11 430 t at a duty rate of 20%.

The Council adopted the Directive amending Directive 77/93/EEC on protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community, and Directive 91/683/EEC amending Directive 77/93/EEC.

This Directive establishes 1 June 1993 as the date of implementation of the amendments made to the basic Directive (77/93/EEC) by Directive 91/683/EEC concerning the plant health arrangements applicable in the Community to facilitate the establishment of an area without internal frontiers.

Research

The Council adopted a decision authorizing the Commission to negotiate a scientific and technical co-operation agreement between the European Economic Community and Canada.

4-Bruxelles, le 16 avril 1993

NOTE BIO(93) 96 AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

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Préparation Conseil ECOFIN du 19 avril 1993, Luxembourg (V. D'UDEKEM)

Deux points relevant de la compétence de Madame Christiane SCRIVENER, Commissaire en charge de la Fiscalité, de la Douane et de la Politique des Consommateurs, figurent à l'ordre du jour du Conseil ECOFIN de ce lundi 19 avril 1993.

1. 7ème directive TVA sur les biens d'occasion et les oeuvres d'art :

Les Douze tenteront de dégager un accord sur ce dossier. Pour Madame SCRIVENER, il s'agit d'un élément essentiel pour la réalisation d'un véritable marché intérieur des oeuvres d'art et des biens d'occasion.

Mise sur la table par la Commission en décembre 1988, cette proposition vise, par l'établissement de modalités communes de taxation, à supprimer les doubles impositions des ventes de biens d'occasion et d'oeuvres d'art notamment à l'occasion des transactions transfrontalières et à éviter les distorsions de concurrence qui pourraient exister pour ces biens. Elle propose par ailleurs des modalités communes de taxation des importations d'oeuvres d'art sur le territoire communautaire.

La proposition prévoit ainsi que la TVA applicable aux objets d'occasion et aux oeuvres d'art sera calculée sur la marge du vendeur (et non sur la valeur totale). Toutefois, pendant une période transitoire, les Etats membres qui n'appliquent pas en ce moment un régime d'imposition de la marge pour les voitures d'occasion pourraient, sous certaines conditions, maintenir leur régime de taxation actuel.

La proposition prévoit par ailleurs la possibilité pour les Etats membres d'appliquer pour les importations d'oeuvres d'art dans la Communauté, au lieu du taux normal de TVA, un taux réduit égal à au moins 5% ou une base d'imposition réduite de façon telle que la taxe soit au moins égale à 5%. Pour tenir compte de la situation particulière qui a prévalu jusqu'à présent au Royaume-Uni, à savoir l'exonération totale de ces importations, le compromis actuellement sur la table envisage la possibilité pour ce pays d'appliquer jusqu'au 31 décembre 1996, un taux effectif de TVA de 3% aux importations d'oeuvres d'art.

Une extension du régime douanier spécial pour les oeuvres d'art destinées à être réexportées est prévue. Ce régime d'admission temporaire permet à ces oeuvres d'art de circuler pendant six mois sur le territoire de l'ensemble de la Communauté sans que les droits de douane ou taxes ne soient totalement acquittés. ce délai serait porté de six mois à deux ans.

2. Fiscalité des entreprises : directive redevances/intérêts

Conformément à la demande exprimée par Madame SCRIVENER lors du Conseil ECOFIN du 15 mars dernier, les travaux sur ce dossier ont été relancés ces dernières semaines. Lundi, les Douze prendront connaissance d'un rapport élaboré par la Présidence qui met en exergue les progrès réalisés à ce jour ainsi que les questions devant encore être résolues. A la suite du débat prévu sur ces questions au Conseil, mandat devrait être donné au COREPER de poursuivre et d'accélérer ses travaux en vue d'aboutir à un accord sur cette directive au Conseil ECOFIN du mois de juin de cette année.

Proposée en novembre 1990, cette proposition de directive concerne l'établissement d'un régime fiscal commun applicable aux paiements d'intérêts et de redevances effectués entre sociétés mères et filiales d'Etats membres différents. Elle vise à éliminer la double imposition des flux transfrontières intracommunautaires d'intérêts et de redevances en supprimant les retenues à la source sur ces flux.

Madame SCRIVENER insistera sur l'urgence d'adopter ce texte très attendu par les entreprises et leurs organisations représentatives. Pour Christiane SCRIVENER, "par l'allègement des charges des entreprises qu'elle entraînera, cette directive contribuera à la création d'un environnement favorable à ces dernières et au renforcement de leur compétitivité dans le cadre du grand marché."

Amitiés,

X. PRATS

Luxembourg, 19 avril 1993.

BIO(93)96 (suite 1 et fin) aux bureaux nationaux
CC. aux membres du service du Porte-Parole

* The Growth initiative :

The Ecofin Council today confirmed the will of the Council to strengthen cooperation and coordination of economic policy. The Council endorsed the Commission document "Promoting economic recovery in Europe" (the Edinburgh Growth initiative) in which the Commission estimates that the Edinburgh initiative will boost total GDP in the Community in the order of 0.6% and create of 450.000 jobs over two years. The report was presented by Vice-President Henning Christophersen to the Econfin Council and at a later stage to a joint meeting of Community and EFTA Finance Ministers.

At a joint press conference, the President of the Council, Danish Economy Minister, Marianne JELVED, the President of the EFTA Ministers, Swedish Finance Minister, Anne WIBBLE and Vice-President Henning Christophersen underlined the political significance of a European growth initiative based on economic growth in a non-inflationary medium term context.

M. Christophersen said that the Member States in the seventies and the beginning of the eighties had been unable to take concerted actions to boost their economies. This time it was possible and I think the implementation of the growth initiative will create a interesting precedens, he said.

He said that the Commission document reflects the character of the growth initiative :

The first part of the report deals with initiatives within the competence of the Community. The new instruments decided upon in Edinburgh are now being implemented. Preparations are being made for the European Investment Fund with a capital of 2 billion Ecu and the Edinburgh - facility of 5 billions Ecus is already operational. The European Investment Bank has already decided upon investments in the areas of transport, energy, telecommunications and environment worth aproximately 1.6 billion Ecu. Furthermore, initiatives in areas such as training and research are under implementation. The Commission will in close cooperation with the EFTA countries speed up the work of harmonization of standards and norms in an internal market context.

The second part of the report, is a list of national measures. According to the Vice-President these measures clearly reflect Member States determination - in line with the Edinburgh conclusions - to switch from currence spending to capital spending, to give incentives to private investments and to undertake different structural reforms for example in the areas of labour market and competition policy.

First of all, however, it is significant that all Member States have the ambition to base the economic policy on prudent fiscal policy and modest wage agreements. Both are preconditions for a lowering of the rate of interest. The Vice-President underlined the significance of the German solidarity pact and the Italian economic reform policy. They are important contributions to the growth initiative. Such contributions lead to a much better policy mix that we have seen in recent years, he said.

As to the quantified effects of the growth initiative (extra growth of 0.6% and creation of 450.000 jobs), the Vice-President said that the figures are prudent estimations which do not take into account psychological factors such as the effect of increased confidence and the effects of structural reforms. Furthermore, the estimations do not take into consideration the effects of a lowering of the rate of interest. As an example, however, the Vice-President mentioned that a cut in short term interest rates by 2 percentage points followed by a reduction in the long term rates of 1 percentage point would increase growth by 0.7%. (It should be added that the Commission has based its growth provisions for 1993 of 0.75% on the assumption that the rate of interest will be lowered by 2% - points over the year.)

Replying to questions, the Vice-President said that it was his opinion that the fiscal margin now has been exploited fully. Now it is a question of doing the necessary work to bring down the rate of interest. He did not foresee a new growth initiative similar to the Edinburgh-initiative.

He confirmed that the growth initiative which has been under implementation since the Edinburgh Summit has not been taken into account in the Commission growth forecast for 1993.

Mrs Marianne Jelved said that there was no need to prepare a new package to the Copenhagen Summit. This does not exclude that member States still could come forward with contributions before the Summit.

Mrs Anne Wibbled said that EFTA was not able to come forward with a global quantified estimation of growth initiatives in the EFTA countries.

She told journalists that the lending capacity of the Nordic Investment Bank has been increased with 4.5 billion ECU and that a closer cooperation between the Nordic Investment Bank and the European Investment Bank will be established.

* Economic relations between the Community and the USA :

As to relations EC/USA, the Council recalled that the economic relationship between the Community and the US is of major importance for worldwide economic development.

The Community, the US and Japan have a common responsibility and the economic strength to stimulate world trade, to revitalize global non-inflationary growth including employment. The Community welcomes the common will to embark on a coordinated growth initiative. The Community wants to encourage that process, where growth, price stability and employment is at the top of the agenda.

Accordingly, there is a need for an appropriate dialogue to strengthen economic cooperation. To that end a good preparation of the Tokyo Summit is essential. In this respect it is encouraging to observe a certain degree of economic policy convergence on both sides of the Atlantic : stimulating growth without hampering in any respect the necessary medium term strong improvement in public finance.

The Council stresses that the European Community and the US are each other's largest single trading partner and have a common interest in expanding trade. It is thus of vital importance that the Uruguay Round negotiations are rapidly and successfully completed, and bilateral disputes rapidly resolved by negotiations and without escalation.

* Other items :

By the end of the meeting the President of the Council informed journalists that :

. The interinstitutional agreement on budget discipline : No conclusion yet. The council will try to reach agreement "as soon as possible".

. VAT : the Council had not been able to agree the seventh directive on VAT. The question of tax on royalties and interests will be dealt with by an ad hoc group.

EIB lending to Albania : the creation of a Community guarantee for EIB loans to Albania was postponed to the June session.

Amitié,

T. Kroyer

