

PRESS RELEASE

7710/93 (Presse 124)

1678th Council meeting

ECONOMIC AND FINANCIAL QUESTIONS

Brussels, 12 July 1993

President: Mr Philippe MAYSTADT,
Minister for Finance
of the Kingdom of Belgium

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:

Ms Marianne JELVED Minister for Economic Affairs

Germany:

Mr Theo WAIGEL Federal Minister for Finance
Mr Johann EEKHOFF State Secretary for Economic Affairs
Mr Gert HELLER State Secretary for Finance

Greece:

Mr Stefanos MANOS Minister for Economic Affairs

Spain:

Mr Pedro PEREZ State Secretary for Economic Affairs
and Finance

France:

Mr Edmond ALPHANDERY Minister for Economic Affairs

Ireland:

Mr Bertie AHERN Minister for Finance

Italy:

Mr Enzo PERLOT Ambassador, Permanent Representative

Luxembourg:

Mr Jean-Claude JUNCKER Minister for Finance

Netherlands

Mr Wim KOK Minister for Finance

Portugal:

Mr Jorge BRAGA DE MACEDO Minister for Finance
Mr José BRAZ State Secretary for the Treasury

United Kingdom:

Mr Kenneth CLARKE Chancellor of the Exchequer

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Commission:

Mr Jacques DELORS President
Mr Henning CHRISTOPHERSEN Vice-President
Ms Christiane SCRIVENER Member

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The following also attended:

Sir Brian UNWIN President of the EIB
Mr Wim DUISENBERG Chairman of the Committee of Governors
of the Central Banks
Mr Jean-Claude TRICHET Chairman of the Monetary Committee

MULTILATERAL SURVEILLANCE

1. The Council carried out the biannual examination of the economic situation in the Community (multilateral surveillance). It received an opinion of the Committee of Governors of the Central Banks and of the Monetary Committee. The exercise showed that the Community economy was going through a difficult period. GDP was expected to contract by about half a percentage point this year with some signs of recovery in 1993 and a modest recovery expected to take place in 1994. The forecast decline in employment might lead to sharply rising rates of unemployment, which might well reach a rate of about 12% next year. Progress in the nominal convergence situation was uneven: the adverse economic environment wiped out efforts to reduce budget deficits, which were now reaching record levels, while inflation was coming down more slowly than would be warranted by the weakness of activity.
2. The Council noted with satisfaction the measures to support growth which the Member States and the Community had taken in close co-operation since the Edinburgh meeting of the European Council and the decisions taken at the recent Copenhagen meeting. It also welcomed the recent progress towards a conclusion of the GATT negotiations.
3. Given the state of the public finances in most Member States, there was now widespread agreement that the best contribution that budgetary policy could now make to recovery was to announce credible, medium-term measures to reduce fiscal imbalances.
4. The Council underlined that an additional encouragement to the Community's

short-term economic outlook would also undoubtedly emanate from the creation of the conditions necessary to ensure a further reduction in interest rates. In this regard, evidence of budgetary consolidation and of wage moderation would both have an important role to play.

5. The Council stressed that structural adjustment policies represented an essential instrument in returning the Community's economy to a higher and more employment-intensive growth path. Efforts in this direction were indispensable since the current downturn had exposed two major underlying weaknesses in the economic capacity of the Community: its decline in overall competitiveness and its inability to create a sufficient number of new jobs. These issues will be addressed in the White Paper on a medium-term strategy on growth, competitiveness and employment which the Commission will transmit to the December Brussels European Council. The Council will give particular attention to these issues, including the reduction of the labour costs, in the framework of the broad guidelines for economic policy it prepares for deliberation by the European Council.
6. The Council reaffirmed the importance of the convergence programmes as valuable instruments of economic policy co-ordination in the Community as well as useful tools for re-establishing sound public finances in the medium term. Ministers called on all Member States facing structural imbalances in their economies to submit a convergence programme if they had not already done so.
7. To ensure effective monitoring and follow-up of the existing programmes, the Council invited Member States to update them as soon as their budgets had been approved,

notably to take into account the deterioration in the economic situation. Without prejudice to each Member State's own responsibility with respect to their content, it was desirable that all programmes extend to the 1996 horizon, be revised once a year and be based on realistic assumptions compatible with the Community's general economic outlook, specify clearly their objectives and give the necessary indications about the measures contemplated to achieve those objectives.

WESTERN ECONOMIC SUMMIT

The Council was informed by those of its Members who had taken part in the Tokyo Summit about the discussions that had been held on economic and financial matters.

UNITED KINGDOM CONVERGENCE PROGRAMME

At its meeting on 12 July 1993 the Council examined the United Kingdom Convergence Programme covering the period up to the 1997-1998 financial year. The Council welcomed the presentation of the programme which, although ambitious, was based on realistic assumptions.

The Council noted the Government's firm commitment to a low inflation target and encouraged the Government vigorously to pursue whatever measures were necessary to ensure that the target was maintained. With respect to exchange rate policy, the Council looked forward to the re-entry of sterling into the ERM as soon as conditions permitted.

Sound and stable growth would also require that the imbalances in the UK economy be tackled. The adoption of a budgetary consolidation strategy and the measures taken and announced in the Budget were welcomed. The United Kingdom Government was encouraged to fulfil, within the period of the convergence programme, its commitment to meeting the Maastricht deficit criterion. In this context, the Council noted that a more vigorous budgetary adjustment might be necessary, especially in the first years, if the pace of economic recovery was slower than expected.

Finally, the Council noted the substantial progress already achieved in the area of structural reform and welcomed the programme of continuing efforts to strengthen the supply side. Such efforts would be an important aid over the medium term to the achievement of sound and stable growth.

FOLLOW-UP TO THE COPENHAGEN EUROPEAN COUNCIL

The Council considered the organization of discussions during the second half of 1993 concerning, in particular,

- the second stage of EMU;
- the broad guidelines of the economic policies;
- the Commission's White Paper on economic renewal in Europe.

It noted that no decision could be taken on the second stage of EMU until the Maastricht Treaty had come into force, but that the guidelines which the Commission intended to submit shortly on the various aspects could begin to be studied informally without delay by the Permanent Representatives Committee, the Monetary Committee and the Committee of Governors of the Central Banks.

Regarding the broad guidelines of the economic policies of the Member States and the Community, under Article 103 of the Maastricht Treaty, the Commission intended to prepare its draft for the Brussels European Council at its next meeting on 22 November. It asked the Commission to submit its White Paper on economic renewal in Europe by the beginning of November. This would enable it to take the White Paper into account during its preparatory work on the broad guidelines of the economic policies, as requested by the European Council.

The Council took note of information from the President of the EIB on the implementation of the "Edinburgh facility" (ECU 5 million + ECU 3 million as decided at Copenhagen) and called on the Bank to press ahead with this exercise.

With regard to the implementation of the short-term measures envisaged by the European Council, the Council heard a presentation by Vice-President CHRISTOPHERSEN of two Commission proposals, one concerning the subsidizing of interest rates on loans granted by the EIB to SMUs, the other concerning the possibility of raising loans – in favour of the Member States – in connection with the bridging facility mentioned by the European Council.

The Council asked the Permanent Representatives Committee to examine the questions to which these proposals gave rise.

TRAVELLERS' ALLOWANCES

The Council turned to the issue of increases in travellers' allowances to see whether unanimous agreement was now possible on the formula which 11 delegations had accepted in December 1992, i.e.:

- to increase allowances for travellers coming from third countries from ECU 45 to ECU 175 and limits on tax-free purchases made during intra-Community travel from ECU 45 to ECU 90;
- to authorize Spain, until 31 December 1996, to grant travellers from the Canary Islands, Ceuta and Melilla entering the fiscal territory of Spain an allowance of ECU 600 in respect of goods imported.

Noting that Germany was unable to accept this formula as it stood, the Council instructed the Permanent Representatives Committee to continue seeking a solution to the problem.

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MISCELLANEOUS DECISIONS

UNRWA

The Council authorized the Commission to negotiate, in consultation with a committee comprising representatives of the Member States, the renewal of the Convention between the EEC and UNRWA (United Nations Relief and Works Agency for Palestine Refugees) for a period of three years between 1993 and 1995.

The proposed Community contributions to the three programmes (education, health and supplementary feeding) will be ECU 30 million in 1993, ECU 31 million in 1994 and ECU 32 million in 1995.

Textiles

The Council authorized the Commission to open negotiations with Slovenia for the conclusion of a textiles agreement.

Fisheries

The Council adopted a Decision concerning the provisional application – pending its definitive entry into force – of the Protocol establishing for the period from 1 June 1993 to 31 May 1996, the fishing rights and financial compensation provided for in the Agreement between the European Economic Community and the Government of the Democratic Republic of Sao Tome and Principe.

Under the Protocol it will be possible for 40 freezer tuna purse seiners from the Community and eight pole-and-line tuna vessels or surface longliners from the Community to continue to operate off Sao Tome and Principe.

The Community's financial compensation for the duration of the Protocol is ECU 1 650 000, covering a catch weight of 9 000 tonnes of thunnidae per year. The Community will contribute ECU 250 000 to the funding of scientific and technical programmes concerning the exclusive economic zone of Sao Tome and Principe. The conditions for the new Protocol are exactly the same as for the previous one.

The Council adopted Regulations:

- giving a separate tariff identification to surimi, and surimi preparations, as products subject to the rules of the common fisheries policy laid down in Regulation No 3759/92 of 17 December 1992 on the common organization of the markets in this sector.

The Community will now be able to monitor trade and any developments in the market prices for surimi (a washed and stabilized protein gel made from minced fish) and its

preparations, the demand for which has increased steadily in recent years, as have imports;

- laying down common marketing standards, including sizing standards, for new species eligible for intervention, following the reforms made by Regulation No 3759 to certain mechanisms of the common organization of the markets in fishery products;
- fixing the guide prices for the 1993 fishing year for the species mentioned below following their inclusion in the common organization of the market by Regulation No 3759/92:

ecu/tonne

= fresh products

Dab (gutted fish with head)	760
Flounder (gutted fish with head)	450
Albacore or longfinned tuna (whole fish)	1 800
Albacore or longfinned tuna (gutted fish with head)	2 100
Cuttlefish (whole fish)	1 300
Sole (gutted fish with head)	5 000

= frozen products

Lesser or Greenland halibut	1 300
Whole hake of the genus <i>Merluccius</i> spp.	1 115
Fillets of hake of the genus <i>Merluccius</i> spp.	1 450
Prawns of the species <i>Parapenaeus longirostris</i>	5 000
- other species of the family Penaeidae	6 500

Agriculture

The Council adopted Regulations opening and providing for the administration of a Community tariff quota for the period 1 July 1993 to 30 June 1994, with a duty of 4%, in respect of:

- 42 600 cows and heifers, not intended for slaughter, of certain mountain breeds falling under subheadings ex 0102 90 05, 0102 90 29, 0102 90 49, 0102 90 50 and 0102 90 69 of the Combined Nomenclature;
- 5 000 bulls, cows and heifers, not intended for slaughter, of certain Alpine breeds falling within subheadings ex 0102 90 05, 0102 90 29, 0102 90 49, 0102 90 59, 0102 90 69 and 0102 90 79 of the Combined Nomenclature.

Bruxelles, le 9 juillet 1993

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NOTE BIO(93) 185 AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

PREPARATION DU CONSEIL ECOFIN DU 12 JUILLET 1993 (Viviane d'Udekem)

Un point relevant de la compétence de Madame Christiane SCRIVENER, Commissaire en charge de la fiscalité, des douanes et de la Politique des consommateurs, figure à l'ordre du jour du Conseil ECOFIN du lundi 12 juillet 1993. Il s'agit d'un projet de relèvement des franchises d'achats applicables aux voyageurs en provenance des pays tiers ainsi qu'aux ventes hors-taxe dans la Communauté.

Lors du Conseil Ecofin du 14 décembre dernier, 11 délégations étaient d'accord sur l'augmentation du niveau de la franchise de son niveau actuel soit 45 ECU, à 175 ECU pour les voyageurs à destination des pays tiers et à 90 ECU pour les achats hors taxes effectués lors de voyages entre deux pays de la Communauté (les "duty free shop"). L'augmentation du niveau de la franchise pour les achats hors-taxe effectués lors de voyages à l'intérieur de la Communauté ne remet pas en cause la suppression de ces achats hors taxes qui sont de toute façon appelés à disparaître à la fin du mois de juin 1999.

La délégation allemande avait maintenu une réserve sur cette solution en raison des progrès insuffisants réalisés à l'époque sur le dossier relatif à la fiscalité des transports routiers.

Entre-temps, au Conseil Transports du 19 juin 1993, un accord politique est intervenu sur la fiscalité des transports routiers. Cet accord pourrait permettre à l'Allemagne de lever sa réserve et aux Douze de conclure sur ce dossier. Comme toutes les décisions en matière de fiscalité, l'augmentation de ces franchises nécessite un accord des Douze à l'unanimité.

Si ce point faisait l'objet d'un accord le 12 juillet, il s'agirait d'un pas positif pour le consommateur européen, après la suppression complète, depuis le 1er janvier 1993, de toutes les limitations liées aux anciennes franchises pour les achats des voyageurs se déplaçant à l'intérieur de la Communauté.

Amitiés,


Prats

Brussels, 13 July 1993

NOTE BIO(93) 185 (suite 1 et fin) AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

ECOFIN COUNCIL 12 JULY 1993 (T. KRØYER)

Multilateral Surveillance

On the basis of introductions by the Commission, the Monetary Committee and the Committee of Central Bank Governors, the Council carried out its bi-annual examination of the economic situation in the Community.

The Vice-President of the Commission, Henning Christophersen, pointed at the necessity for fiscal consolidation in view of the high levels of budget deficit and public debt. Commitment to fiscal consolidation is necessary for a further reduction of the rate of interest. Although the inflation is under control in most Member States, he did consider inflation to be surprisingly high in a period of recession. He asked for convergence programmes to be based on commonly agreed assumptions as well as programmes should all cover the period till the end of 1996.

By the end of the meeting the Council issued the following communique:

1. The Council has carried out the regular, bi-annual, examination of the economic situation in the Community (multilateral surveillance). It received an opinion of the Committee of Governors of the Central Banks and of the Monetary Committee.

This exercise has shown that the Community economy is going through a difficult period. GDP is expected to contract by about half a percentage point this year with some signs of recovery in 1993 and a modest recovery expected to take place in 1994. The forecast decline in employment might lead to sharply rising rates of unemployment, which might well reach a rate of about 12% next year. Progress in the nominal convergence situation is uneven: the adverse economic environment wipes out efforts to reduce budget deficits, which are now reaching record levels, while inflation is coming down more slowly than would be warranted by the weakness of activity.

2. The Council noted with satisfaction the measures to support growth, which the Member States and the Community have taken in close cooperation since the Edinburgh meeting of the European Council and the decisions taken at the recent Copenhagen meeting. It also welcomed the recent progress towards a conclusion of the GATT negotiations.
3. Given the state of the public finances in most Member States, there is now widespread agreement that the best contribution that budgetary policy can now make to recovery is to announce credible, medium-term measures to reduce fiscal imbalances.

4. The Council underlined that an additional encouragement to the Community's short-term economic outlook would also undoubtedly emanate from the creation of the conditions necessary to ensure a further reduction in interest rates. In this regard, evidence of budgetary consolidation and of wage moderation will both have an important role to play.
5. The Council stressed that structural adjustment policies represent an essential instrument in returning the Community's economy to a higher and more employment-intensive growth path. Efforts in this direction are indispensable since the current downturn has exposed two major underlying weaknesses in the economic capacity of the Community: its decline in overall competitiveness and its inability to create a sufficient number of new jobs. These issues will be addressed in the White Paper on a medium-term strategy on growth, competitiveness and employment which the Commission will transmit to the December Brussels European Council. The Council will give particular attention to these issues, including the reduction of the labour costs, in the framework of the broad guidelines for economic policy it prepares for deliberation by the European Council.
6. The Council reaffirmed the importance of the convergence programmes as valuable instruments of economic policy coordination in the Community as well as useful tools for re-establishing sound public finances in the medium term. Ministers called on all Member States facing structural imbalances in their economies to submit a convergence programme if they have not already done so.
7. To ensure an effective monitoring and follow up of the existing programmes, the Council invited Member States to update them as soon as their budgets have been approved, notably to take into account the deterioration in the economic situation. Without prejudice to each Member State's own responsibility with respect to their content, it is desirable that all programmes extend to the 1996 horizon, are revised once a year and are based on realistic assumptions compatible with the Community's general economic outlook, specify clearly their objectives and give the necessary indications about the measures that are contemplated to achieve those objectives.

The United Kingdom Convergence Programme

The Council examined the United Kingdom Convergence Programme covering the period up to the 1997-98 financial year. The Council welcomed the presentation of the programme which although ambitious is based on realistic assumptions.

The Council noted the government's firm commitment to a low inflation target and encouraged the government vigorously to pursue whatever measures were necessary to ensure that the target was maintained. With respect to exchange rate policy, the Council looks forward to the re-entry of sterling to the ERM as soon as conditions permit.

Sound and stable growth will also require that the imbalances in the UK economy be tackled. The adoption of a budgetary consolidation strategy and the measures taken and announced in the Budget were welcomed. The UK government was encouraged to fulfill, within the period of the convergence programme, its commitment to meeting the Maastricht deficit criterion. In this context, the Council noted that a more vigorous budgetary adjustment may be necessary, especially in the first years, if the pace of economic recovery is slower than expected.

Finally the Council noted the substantial progress already achieved in the area of structural reform and welcomed the programme of continuing efforts to strengthen the supply side, considering that such efforts would be an important aid over the medium term of the achievement of sound and stable growth.

Asked by journalists on the realism of the programme the President of the Council, Philippe Maystadt, referred to the communique according to which the Council welcomed the presentation of the programme which although ambitious is based on realistic assumptions.

The Bridging Facility and the SME Facility

Vice-President Christophersen presented two Commission proposals in line with the conclusions of the European Council in Copenhagen in June. The Bridging facility will provide Member States with the means to pre-finance and hence to accelerate the implementation of investment projects, scheduled under the Structural Funds. According to the proposal, the Commission is empowered to contract borrowings up to a total amount of Ecu 5 billion for the purpose of extending loans to Member States. Drawings under this facility would be available in successive instalments until the end of 1995 while the payments should be completed by the end of 1999.

The SME facility builds on the European Council conclusion according to which the 5 billion Ecu Edinburgh facility was raised to 8 billion. Furthermore, 1 billion Ecu of loans to SME should be subsidized up to 3% over a period of 5 years. Interest subsidies to SME loans in eligible regions will be provided by the Structural Funds. The present proposal aims at providing subsidies to SME's in non-eligible regions to a maximum of 400 million Ecu. The benefit of the subsidies should be restricted to investment projects involving the creation of employment.

The President of the Council said that the Council had agreed to ask the Parliament to examine the two proposals urgently with a view to a rapid adoption.

Presidency of the EBRD

President of the Council confirmed to journalists that the Presidency of EBRD had been discussed informally by ministers. This had showed that ministers do not agree on one candidate at this stage.

Franchises voyageurs

Les Douze n'ont pas trouvé d'accord sur un relèvement des franchises d'achats applicables aux voyageurs en provenance des pays tiers ainsi qu'aux ventes hors-taxe dans la Communauté ("duty-free shop"). Les travaux se poursuivront sur ce dossier au COREPER.

Regards,

B. DETHOMAS

B. D.

