

PRESS RELEASE

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1706th Council meeting

ECONOMIC AND FINANCIAL QUESTIONS

Brussels, 25 November 1993

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

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

Belgium:

Mr Philippe MAYSTADT Minister for Finance

Denmark:

Mrs Marianne JELVED Minister for Economic Affairs
Mr Jens THOMSEN State Secretary for Finance

Germany:

Mr Günter REXRODT Federal Minister for Economic Affairs
Mr Johann EEKHOFF State Secretary for Economic Affairs
Mr Gert HALLER State Secretary for Economic Affairs

Greece:

Mr Yiannos PAPANTONIOU Deputy Minister for Economic Affairs

Spain:

Mr Pedro SOLBES MIRA Minister for Economic Affairs and Finance
Mr Alfredo PASTOR BODMER State Secretary for Economic Affairs and Finance

France:

Mr Edmond ALPHANDERY Minister for Economic 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
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
Mr Raniero VANNI d'ARCHIRAFI Member

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The following also attended:

Sir Brian UNWIN President of the EIB
Sir Nigel WICKS Chairman of the Monetary Committee
Mr François MONIER Chairman of the Economic Policy Committee

WHITE PAPER ON GROWTH, COMPETITIVENESS AND EMPLOYMENT

After an introduction by President Delors of the main points of the White Paper which the Commission will be submitting to the European Council on 10 and 11 December 1993, the Council held a wide-ranging discussion.

It asked the Commission to take account of the comments made during the discussion when preparing the final version of the White Paper.

BROAD GUIDELINES OF THE ECONOMIC POLICIES OF THE MEMBER STATES AND OF THE COMMUNITY

The Council heard a statement by Commissioner Christophersen introducing the Commission working document on the framework for the broad guidelines of the economic policies of the Member States and of the Community entitled "Restoring growth and employment - strengthening convergence".

After an exchange of views, the Council asked for its comments to be reflected in the recommendation which the Commission would be finalizing the following Wednesday.

The Council will hold a special meeting on Sunday 5 December, at which it will draw up its draft broad economic policy guidelines for submission to the European Council, on the basis of the Commission recommendation.

CONVERGENCE PROGRAMMES

Having examined the Federal Republic of Germany's updated convergence programme and the French economic convergence programme, submitted jointly by Germany and France and both covering the period 1994 to 1997, the Council adopted the following conclusions:

Conclusions on the German convergence programme

The Council welcomed the presentation of the updated programme and, in particular, the enhanced efforts of the German authorities to achieve convergence, notwithstanding the considerable difficulties being faced in the aftermath of German unification.

The Council strongly welcomed the determination of the German authorities to achieve fiscal consolidation, as underlined by the measures already put into law as well as those in the process of being adopted. The Council was of the opinion that the goals of the convergence programme were attainable but at the same time recognized that there were some downside risks as to the pace of adjustment. It therefore urged the Federal Government to monitor closely the implementation of the programme.

It also took note of the Government's structural policy strategy and its emphasis on the importance of better growth performance and stability for the convergence process. Strong measures to improve the productivity and competitiveness of the German economy were deemed to be necessary, also to deal better with the distributional questions raised in the process of absorbing the East German economy.

The Council acknowledged the great challenge facing the German authorities in simultaneously achieving low inflation and budgetary consolidation. It recognized the importance of bringing the inflation rate further down and urged the German authorities

to be especially vigilant in their monitoring of the implementation of this part of the programme.

The Council stressed the crucial role of the authorities at the local and regional levels in the budgetary and structural field and emphasized the importance of national consensus in order to reach the objectives of the convergence programme.

Conclusions on the French convergence programme

The Council expressed satisfaction that the economic policies pursued by France since the 1980s had left the economy in a relatively favourable position in terms of inflation, price competitiveness and debt situation. France was therefore well-placed to achieve full compliance with the convergence criteria laid down in the Maastricht Treaty.

Inflationary pressures being likely to remain low in France over the coming years, the Council saw the main convergence challenge facing the French authorities to be on the budget position, which had suffered a substantial deterioration in the last two years, mainly on account of cyclical factors. In this regard, the Council welcomed the commitment to an ambitious budgetary adjustment effort contained in the convergence programme.

Wide-ranging measures aimed at reducing the budget deficit to below 3% by 1996-1997 and at reversing the moderate rise in the public-sector debt ratio had been outlined. The Council noted that several of these measures were already based in legislation, thereby reinforcing the credibility of the adjustment commitment contained in the programme.

The Council was of the opinion that the programme presented was solid and coherent. However, given the fact that some uncertainty remained as to the growth prospects for the future, it invited the French Government to monitor its implementation closely.

The Council also welcomed the structural reform measures to be undertaken by the French authorities, particularly in respect of the operation of the labour market.

Given the difficult employment conditions in France and throughout the Community, the Council attached particular importance to these measures and encouraged the French authorities to continue their efforts in this direction.

PREPARATION FOR THE SECOND STAGE OF EMU

At its meeting on 25 October the Council reached political agreement on the series of draft texts required for implementation of the second stage of EMU. Following entry into force of the TEU on 1 November and in view of the fact that the Committee of Governors of the central banks, the Monetary Committee and the European Parliament ⁽¹⁾ had given their opinions, the Council proceeded to adopt:

- the following four acts:

- = Regulation on the application of the Protocol on the excessive deficit procedure annexed to the Treaty
- = Decision on the statistical data to be used for the determination of the key for the financial resources of the European Monetary Institute
- = Decision on the consultation of the European Monetary Institute by the authorities of the Member States on draft legislative provisions
- = Regulation modifying Regulation No 260/68 which lays down the conditions and procedure for applying the tax for the benefit of the European Communities.

- two common positions:

- = on a Regulation specifying definitions for the application of the prohibition of privileged access referred to in Article 104a of the Treaty

⁽¹⁾ The text concerning privileges and immunities, on which the European Parliament has not yet delivered its Opinion, will be adopted later.

= on a Regulation specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty, to which the co-operation procedure applies.

When examining the European Parliament's Opinions, the Council found the views of the Parliament to be broadly in line with those of the Council; it adopted a number of the amendments proposed by the European Parliament.

BCCI AFFAIR

Pending the Opinions of the European Parliament and the Economic and Social Committee on the proposal for a Directive on the reinforcement of prudential supervision of financial undertakings, the Council noted that a political agreement was emerging on the content of the proposal.

This Directive, proposed by the Commission on 28 July 1993, is designed to make amendments across the board to a number of framework Directives applying to financial undertakings in order to strengthen the competent authorities' supervisory powers and obviate as far as possible the risk of financial scandals arising, as in the recent past.

The four cardinal points in the proposal are as follows:

- transparency is required of the group of companies to which a financial undertaking belongs;
- a financial undertaking is required to have its registered office and its head office in the same Member State;
- the scope for exchanging information between authorities is extended;
- auditors are required to report to the supervisory authorities any irregularities discovered in financial undertakings.

Once it has received the abovementioned Opinions, the Council will return to this proposal in order to adopt a common position.

FOLLOW-UP TO THE BRUSSELS EUROPEAN COUNCIL ON 29 OCTOBER 1993 - GROWTH INITIATIVE

- Extension of the criteria for eligibility for the "Edinburgh facility"

The Council noted an oral progress report by the EIB President on the Bank's work on extending the scope of the "Edinburgh facility" to transport infrastructure, energy production and urban renewal.

- Interest rate subsidies for SMEs

The Council gave its political agreement to the amended proposal recently submitted by the Commission on the grant of interest-rate subsidies to SMEs under the "Edinburgh facility".

The Council asked Coreper to finalize the relevant text so that it could be adopted without further debate at a forthcoming meeting.

- European Investment Fund

The Council reached political agreement on the proposal for a Decision on Community membership of the European Investment Fund. The Decision will be formally adopted once the act enabling the Fund to be set up has been ratified.

The Council asked Member States which had not yet ratified the act in question to ensure that, as far as was possible, it was ratified by the end of the year.

MISCELLANEOUS DECISIONS

(adopted unanimously without discussion unless otherwise indicated)

Sixth VAT Directive

The Council adopted the Decision authorizing the United Kingdom to apply, as from 1 January 1993 and until 31 December 1996, a particular measure in accordance with Article 22(12)(a) of the sixth Directive (77/388/EEC) on the harmonization of the laws of the Member States relating to turnover taxes.

This Decision meets a request for a derogation submitted by the United Kingdom Government on 23 April 1993 and concerns a simplification of the statement obligations laid down in Article 22(6)(b) of the sixth VAT Directive.

Internal market - SMEs

The Council formally adopted the Resolution on strengthening the competitiveness of small and medium-sized enterprises and craft enterprises, and developing employment, which was approved by the Internal Market Council on 11 November 1993 (see Press Release 9624/93 Press 180).

Relations with the ACP States

The Council approved, for the Community, the draft decision on the budget for the Centre for the Development of Industry and decided to have it forwarded to the ACP side with a view to its adoption by the ACP-EEC Committee on Industrial Co-operation.

Relations with the EFTA countries

The Council adopted by a qualified majority, with Spain voting against, the Decisions of the EEC-EFTA Joint Committees altering the limits expressed in ECUs in Article 8 of Protocol No 3 to the EEC-EFTA Agreements concerning the definition of the concept of "originating products" and methods of administrative co-operation.

The Decisions, which raise the said limits as from 1 May 1993, are designed to ensure that administrative simplifications are not eroded as a result of the old limits being exceeded through the revaluation of certain EFTA currencies.

The Council also adopted the Decision concerning the conclusion of the Agreement in the form of an Exchange of Letters between the European Community and the Republic of Austria, the Republic of Finland, the Republic of Iceland, the Kingdom of Norway, the Kingdom of Sweden and the Swiss Confederation relating to the amendment of

- the Convention of 20 May 1987 on a common transit procedure, and
- the Convention of 28 April 1987 on simplification of formalities in trade in goods.

Anti-dumping measures

The Council adopted the Regulation amending Regulation No 738/92 imposing a definitive anti-dumping duty on imports of cotton yarn originating in Brazil and Turkey.

Under this amendment, the level of duty applicable to each of the five companies concerned will be equal to the level of the dumping margins established as a result of the review carried out by the Commission:

- Brazil: Cocomar Ltda 12,3%, Corduroy S.A. 11,7%, Cotece S.A. 10,9%, Norfil S.A. 8,7%;
- Turkey: Kula Mensucat Fabrikasi A.S. 8,4%.

Fisheries

The Council adopted the Regulation on the conclusion of the Protocol establishing, for the period 1 June 1993 to 31 May 1996, the fishing rights and financial compensation provided for in the Agreement between the Community and Sao Tomé e Príncipe.

The fishing rights are set at 40 freezer tuna seiners and eight pole-and-line wet tuna vessels or surface long-liners. Financial compensation for the life of the Protocol amounts to ECU 1 650 000, covering an annual catch of 9 000 tonnes in Sao Tomé e Príncipe waters.

Ref: BIO/93/284

DATE DOCUMENT : 93/11/22

433

ECO/FIN COUNCIL OF 22 NOVEMBER 1993

- accord politique sur la proposition BCCI

Le Conseil Eco-Fin a adopté une position commune sur la proposition de directive visant à renforcer la surveillance prudentielle des entreprises financières (COM93 363 final) présentée par la Commission en juillet 1993 suite aux événements dont a été objet la BCCI.

Les quatre points cardinaux de la proposition sont les suivants:

- exigence de transparence du groupe de sociétés auquel une entreprise financière est rattachée;
- obligation pour l'entreprise financière d'avoir son siège statutaire et son administration centrale dans un même Etat membre;
- élargissement des possibilités d'échanges d'information entre autorités;
- imposition aux réviseurs de comptes de l'obligation de signaler aux autorités de surveillance les irrégularités constatées au niveau des entreprises financières.

Le Conseil Eco-fin a examiné la proposition de compromis présentée par la Présidence, sur laquelle une large majorité de délégations pouvait se rallier, et a discuté le seul point qui restait en suspens soulevé par NL (et appuyé par F, UK, D) visant à restreindre le champ d'application de l'obligation des réviseurs de comptes d'informer les autorités des faits de nature à affecter la situation financières auprès des entreprises 'ayant un véritable lien de contrôle' (à la place de 'ayant des liens étroits') avec l'entreprise financière auprès de laquelle le réviseur des comptes acquitte sa mission. Cette modification, acceptée par la Commission, a été adoptée.

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ECO/FIN COUNCIL OF 22 NOVEMBER 1993

CONVERGENCE PROGRAMMES

France

The Council examined the French programme of economic convergence for the period 1994-1997.

It expressed satisfaction that the economic policies pursued by France since the 1980s has left the economy in a relatively favourable position in terms of inflation, price competitiveness and debt situation. France is therefore well placed to achieve full compliance with the convergence criteria laid down in the Maastricht Treaty.

Inflationary pressures being likely to remain low in France for the coming years, that the Council sees the main convergence challenge facing the French authorities to be on the budget position that has suffered a substantial deterioration in the last two years, mainly due to cyclical factors. In this regard, the Council welcomed the commitment to an ambitious budgetary adjustment effort contained in the convergence programme. Wideranging measures aimed at reducing the budget deficit to below 3% by 1996/97 and reversing the moderate rise in the public sector debt ratio have been outlined. The Council noted that several of these measures are already based in legislation thereby reinforcing the credibility of the adjustment commitment contained in the programme.

The Council was of the opinion that the programme presented was solid and coherent. Given the fact that some uncertainty remains as to the growth prospects for the future, it invited however the French government to monitor closely its implementation.

The Council also welcomed the measures of structural reform to be undertaken by the French authorities, particularly in respect of the operation fo the labour market.

Given the difficult employment conditions in France and throughout the Community, the Council attaches particular importance to these measures and encourages the French authorities to continue their efforts in this direction.

Germany

The Council also examined the updated convergence programme of Germany covering the period 1993-97. The Council welcomed the presentation of the updated programme and, in particular, the enhanced efforts of the German authorities to achieve convergence, not withstanding the considerable difficulties being faced in the aftermath of German unification.

The Council welcomed strongly the determination of the German authorities to achieve fiscal consolidation, as underlined by the measures already put into law, as well as those in the process of being adopted. The Council was of the opinion that the goals of the convergence programme are attainable but at the same time recognized that there were some downside risks as to the pace of adjustment. It therefore urged the federal government to monitor closely the implementation of the programme.

It also took note of the government's structural policy strategy and its emphasis on the importance of a better growth performance and stability for the convergence process. Strong measures to improve on the productivity and competitiveness of the German economy were deemed to be necessary, also to deal better with the distributional questions raised in the process of absorbing the East German economy.

The Council acknowledged the great challenge facing the German authorities in simultaneously achieving low inflation and budgetary consolidation. It recognized the importance of bringing the inflation rate further down and urged the German authorities to be especially vigilant in their monitoring of the implementation of this part of the programme.

The Council stressed the crucial role of the authorities at the local and regional levels in the budgetary and structural field and emphasized the importance of national consensus in order to reach the objectives of the convergence programme.

The Growth Initiative

The Council dealt with three elements of the growth initiative.

- 1) The President of the EIB, Sir Brian Unwin informed the Council that the Board of Governors will soon have decided on the implementation of the European Council decision to enlarge the eligibility criteria of the Edinburgh Facility to include transport equipment, production of energy and urban renewal.
- 2) The President of the Council urged Member States to speed up the ratification procedure in order to make the 2 billion Ecu European Investment Fund operational. At this stage only Ireland, the Netherlands and Denmark have ratified the EIF.
- 3) The Council had no objections to the Commission proposal on interest rate subsidies for loans of 1 billion Ecu to Small and Medium size Enterprises creating jobs. The European Council of the 29 October had confirmed this decision in principle taken at the Copenhagen Summit. 45.5 Mecu will be reserved for this purpose in the Budget for the next 3 years.

Secondary Legislation

The Council adopted four pieces of secondary EMU legislation concerning excessive deficits, EMI key, EMI consultation and Community tax. The

Council adopted common positions on monetary financing and privileged access. These positions could be examined by the European Parliament with a view to final adoption in the Council before the start of the second stage of EMU.

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DATE DOCUMENT : 93/11/23

ECO/FIN COUNCIL OF 22 NOVEMBER 1993

Conference de presse du president de l'Ecofin, M. Philippe Maystadt, et du president Delors

M. Maystadt a precise que le Conseil avait commence par adopter en principe les textes necessaires a la mise en oeuvre de la deuxieme phase de l'UEM puis une directive qui renforce la surveillance sur les entreprises financieres, proposee par la Commission apres les mesaventures de la BCCI.

'Nous avons ensuite, a dit M. Maystadt, eu une premiere discussion sur le Livre Blanc que la Commission prepare sur la base d'une note que la Commission nous a transmise et d'une introduction du president Delors. Ce fut une discussion longue et utile et l'exposition d'idees qui, situees dans un contexte renouvele, peuvent gagner du terrain.'

Nous avons ensuite examine un texte sur les grandes orientations de la politique economique. C'est ce que nous impose l'article 103 du Traite. Ce texte aura donc force juridique et c'est sur la base de ce texte que l'on pourra entamer des procedures a l'egard des Etats membres qui ne se conformeraient pas a ces orientations telles qu'elles seront arretees chaque annee par le Conseil Europeen.

Ces deux discussions avaient un lien puisque les orientations economiques ne sauraient ignorer les orientations du Livre Blanc.

Nous avons adopte ensuite les programmes de convergence francais et allemand avant d'aborder le suivi de l'initiative de croissance : il y a un accord de principe sur le mecanisme de bonification d'interet - 45 Mecus sont prevus dans le budget de 1994 - mais il restera a en adopter les modalites precises vraisemblablement le 13 decembre. Il y a eu accord sur l'elargissement des criteres d'eligibilite et enfin les Etats membres ont reaffirme leur volonte de ratifier les textes necessaires a la mise en oeuvre du Fonds Europeen d'investissement avant la fin de l'annee a l'exception de la Grece qui a pris du retard du fait des elections legislatives et qui ratifiera quelques semaines plus tard.

Sur le Livre Blanc : le president Delors a explique que, si quelqu'un avait la solution a la question du chomage en Europe, cela se saurait. On n'aurait pas attendu le Livre Blanc de la Commission pour la mettre en oeuvre. C'est dire l'extreme difficulte de l'exercice. Nous avons eu une bonne discussion qui nous aidera pour finaliser le document pour le Conseil Europeen du 10 decembre.

. Sur le partage du travail : c'est un sujet qui fait l'actualite dans plusieurs Etats membres. Il n'etait donc pas possible de ne pas en parler. Mais il y a une chose qui pour moi est claire - et je l'ai dite aux ministres des Finances dans mon introduction - c'est qu'il n'y a pas de solution miracle et surement pas dans une reduction

generalisee du temps de travail.

'La plupart de ceux qui sont intervenus, a ajoute M. Maystadt, ont appuye la presentation de M. Delors. Ce qui ne signifie pas que la reduction du temps de travail ne puisse faire l'objet d'experiences decentralisees utiles.'

Parmi les idees qui ont gagne du terrain, M. Maystadt a signale :

- le fait que certaines formes nouvelles de travail a un niveau tres decentralise puissent aider a reduire le chomage,
- la necessite d'une politique economique exterieure,
- la mise en oeuvre d'un programme d'infrastructures dans le domaine de l'information et des telecommunications pour appuyer la competitivite globale de l'economie europeenne.

Sur ce dernier point, le president Delors a souligne que la competitivite globale passait par un reseau d'infrastructures, des investissements publics et prives qui auraient pour effet d'augmenter l'epargne et de soutenir une croissance durable, un programme de 20 a 30 milliards d'Ecus par an selon les possibilites de l'epargne.

- . Sur la fixation d'objectifs chiffres : M. Maystadt a precise que le Conseil avait donne des conseils de prudence : ne pas fixer trop rapidement des chiffres trop ambitieux, mais en meme temps reconnaissant avec certains ministres ce que certains objectifs chiffres pouvaient avoir de mobilisateur. Si l'on fixe des chiffres ambitieux, il faut les etayer de facon credible.

En conclusion, M. Delors a repete : 'Si c'etait facile de retrouver le plein emploi, chaque pays l'aurait deja fait. Il n'y a pas de remede miracle :

- ni dans la reduction generalisee du temps de travail,
- ni dans la baisse de salaires,
- ni dans la relance a tout va.

La Commission presentera son Livre Blanc pas seulement pour le Conseil Europeen mais aussi pour l'opinion publique. Nous evoquerons tous les sujets. Le seul chiffre qui y figure, ce sont les 15 millions d'emplois a creer, mais l'important c'est de trouver le bon moyen pour lutter contre le chomage.'

Le Conseil Ecofin enfin a decide de se reunir specialement le dimanche 5 decembre pour examiner les recommandations de la Commission sur les grandes orientations de politique economique qui seront adoptees par la Commission au plus tard le 1er decembre.

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