



COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT



PRESS RELEASE

9598/87 (Presse 188)

1199th Council meeting

- Economic and Financial Affairs -

Brussels, 16 November 1987

President: Mr Palle SIMONSEN
Minister for Finance
of the Kingdom of Denmark

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

Belgium:

Mr Mark EYSKENS Minister for Finance

Denmark:

Mr Palle SIMONSEN Minister for Finance

Mr Knud ENNGAARD Minister for Economic Affairs

Germany:

Mr Gerhard STOLTENBERG Minister for Finance

Mr Otto SCHLECHT State Secretary to the Federal Minister for Economic Affairs

Mr Hans TIETMEYER State Secretary, Federal Ministry of Finance

Greece:

Mr Constantin SIMITIS Minister for Economic Affairs

Spain:

Mr Carlos SOLCHAGA CATALAN Minister for Economic Affairs and Finance

France:

Mr Edouard BALLADUR Minister of State for Economic Affairs, Finance and Privatization

Ireland:

Mr Ray MacSHARRY Minister for Finance

Italy:

Mr Giuliano AMATO Minister for the Treasury

Mr Renato RUGGIERO Minister for Foreign Trade

Luxembourg:

Mr Jacques SANTER Prime Minister, Minister of State and Minister for Finance

Mr Jacques POOS Minister for Economic Affairs and Small Firms and Traders

Netherlands:

Mr O.C.R. RUDING

Minister for Finance

Mr H.E. KONING

State Secretary for Finance

Portugal:

Mr Leonardo MATHIAS

Ambassador, Permanent Representative

United Kingdom:

Mr Nigel LAWSON

Chancellor of the Exchequer

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Commission:

Mr Jacques DELORS

President

Lord COCKFIELD

Vice-President

Mr Peter M. SCHMIDHUBER

Member

Also attended:

Mr Joern BOERGLUM-JENSEN

Chairman of the Co-ordinating
Group for Economic and Financial
Policies

Sir Geoffrey LITTLER

Chairman of the Monetary Committee

Mr Carlo CIAMPI

Chairman of the Committee of
Governors of the Central Banks

ECONOMIC AND MONETARY PROSPECTS - THE COUNCIL'S CONCLUSIONS

Within the framework of the EEC-Ecofin Council the European Finance Ministers today discussed the most recent developments on the financial and foreign exchange markets.

Taking note of some improvements during the last days they agreed that a more stable market situation is very important for the further economic development in Europe and worldwide.

For this purpose common and co-ordinated efforts by all countries are needed.

It is of high importance that the fiscal and monetary co-operation agreed at the Louvre be continued and the commitments undertaken implemented by all parties in full and without delay. Especially urgent are early and appropriate decisions on a further substantial reduction of the US budget deficit for fiscal 1988 and fiscal 1989. A further decline of the dollar would aggravate the disadvantages for the world economy including the US.

The European countries are determined to improve the conditions for further internally - generated non-inflationary growth and to contribute to the reduction of external imbalances. The European countries intend to co-operate actively with other countries in decisions to ensure a more stable development of world financial and foreign exchange markets.

The events of the last weeks have emphasized the advantages within the context of the objectives of the Single European Act, of setting up a large integrated European market of goods, services and capital. The progressive realization of these objectives will create in the coming years new opportunities for growth in Europe.

The EMS has played and will play an important role in the co-ordination of policies between the member countries and in preserving stable relationships between European currencies. All member countries will continue to meet in full their obligations within the existing margins of the EMS. Recent developments have demonstrated that the EMS has been strengthened in appropriate ways by the September decisions of Basle and Nyborg.

CREATION OF A EUROPEAN FINANCIAL AREA

The Council heard an introductory statement by Mr DELORS, President, - and by Lord COCKFIELD, Vice-President on the fiscal aspects - outlining the Commission communication on the creation of a European financial area containing proposals

- for the implementation of Article 67 of the EEC Treaty - liberalization of capital movements;
- for amending Directive 72/156/EEC on regulating international capital flows;
- establishing a single facility providing medium-term financial support for Member States' balances of payments.

The Council asked the Monetary Committee and the Committee of Governors of the Central Banks to give their opinions on the Commission proposals at the earliest opportunity and agreed to examine them as soon as it had received the opinions requested.

ABOLITION OF FISCAL FRONTIERS

The Council heard a statement by Lord COCKFIELD, Vice-President, outlining the Commission's overall communication on the abolition of fiscal frontiers containing the following proposals:

- approximation of VAT rates;
- abolition of fiscal frontiers in connection with VAT (abolition of the present system of exemptions in the country of purchase and of taxation in the consumer country);
- establishment of a clearing mechanism for VAT on intra-Community transactions;
- harmonization of taxes on cigarettes and other manufactures tobaccos;
- harmonization of excise duties on petroleum products;
- harmonization of excise duties on alcoholic beverages and on alcohol contained in other products;
- a process for the alignment of VAT rates and excise duties.

At the close of a preliminary exchange of views, the Council confirmed the Economic Policy Committee's brief to give its opinion on the macro-economic aspects of the Commission proposals as soon as possible and agreed to hold a policy discussion on the overall package once it had received this opinion.

COMMON SYSTEM OF VAT FOR USED GOODS

The Council noted that the Commission which had withdrawn its proposal for a 7th Directive on the introduction of a common system of VAT for works of art, antiques and used goods was shortly to submit a fresh proposal in this area.

ABOLITION OF CERTAIN VAT DEROGATIONS

The Council continued its examination of the 18th VAT Directive (abolition of certain VAT derogations), with the benefit of a compromise suggestion from the Presidency.

The aim of the compromise is to eliminate, by 1 January 1989, certain derogations provided for in the 6th VAT Directive of 1977; it also makes provisions for the Council to take a decision before 1 January 1990 on the abolition of the other derogations.

At the close of the discussion, the Council requested the Permanent Representatives Committee to settle the few issues outstanding so that a decision would be taken at the Council's next meeting.

INVESTMENT POLICIES OF CERTAIN UNDERTAKINGS FOR COLLECTIVE INVESTMENT
IN TRANSFERRABLE SECURITIES (UCITS)

By a qualified majority, the Council arrived at a common position on a proposal for a Directive amending, as regards the investment policies of certain UCITS, the limits set in Article 22 of Directive 85/611/EEC which was adopted on 20 December 1985.

Pursuant to the new paragraphs (4) and (5) of Article 22, a Member State may raise the limit on holdings of transferrable securities issued by a single issuer from 5% to 25%, where such securities are issued by a credit institution which is subject to special supervision and where the sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Member States must draw up a list of the bonds to which they may wish to apply the derogation and notify the Commission accordingly; they must also specify the nature of the guarantees offered.

The limits set in Article 22 cannot be combined.

Under the co-operation procedure instituted by the Single Act, the European Parliament must be notified of this common position, the European Parliament then has three months in which to take a decision, after which the Directive may be adopted definitively by the Council.

The amendments provided for in paragraphs 4 and 5 will come into force at the same time as Directive 85/611/EEC, of which they will form a part, i.e. 1 October 1989 except in the case of Greece and Portugal, for which the operative date is 1 April 1992.

GATT

The Council adopted, in the official languages of the European Communities, the Decision concluding on behalf of the Community the Protocol amending the GATT Agreement on Public Contracts.

Bruxelles, 13 novembre 1987

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Note BIO (87) 308 aux bureaux nationaux
cc. aux membres du Service du Porte-Parole

Préparation Conseil ECO/FIN du 16.11.1987 (E. REUTER)

"GRAND MARCHÉ ET FISCALITÉ", voilà le thème central de l'ordre du jour du Conseil ECO/FIN de lundi. Les attentes des médias relatives à cette réunion des grands argentiers de la Communauté qui débutera le lundi, 16 novembre à 10.00 h., se concentrent sur l'examen de la situation économique et monétaire internationale. Mais après les pompiers, ne faut-il pas appeler les architectes pour construire une Communauté plus forte sur les fondations du grand marché?

En effet, la Commission fera la présentation politique des propositions essentielles pour la création du grand marché. D'abord celles concernant l'espace financier, à savoir la libération des mouvements de capitaux et, ensuite, celles relatives au rapprochement des fiscalités indirectes, condition indispensable au démantèlement des frontières intérieures. S'il n'est pas, bien sûr, possible d'engager dès à présent un débat sur le fond de ces propositions, la Commission entend cependant recueillir des réactions et fixer de façon décisive les jalons de procédure à instaurer pour permettre au Conseil de prendre les décisions nécessaires dans le respect de notre échéancier pour 1992. En faisant nos propositions dès maintenant, nous offrons aux gouvernements, notamment en ce qui concerne le rapprochement des taux de fiscalité indirecte, la possibilité d'opérer des ajustements par étapes, et nous espérons que l'avantage pratique de cette approche ne sera pas gaspillé. Des réductions graduelles des taux de TVA, comme celles qui sont déjà intervenues en France pour les voitures, ont dans ce contexte valeur de modèle et d'encouragement.

En ce qui concerne les points plus techniques à l'ordre du jour, signalons l'adoption en point "A" d'une position commune sur les organismes de placement collectif en valeurs mobilières (OPCVM). Il faut rappeler qu'une directive de 1985 a instauré une série de règles contraignantes concernant la répartition des risques d'investissements en limitant la part de chaque type de valeur à l'intérieur d'un portefeuille d'un tel organisme. Sur la table du Conseil se trouve une proposition de directive complétant cette législation en donnant la possibilité d'augmenter la part des valeurs émises par des instituts de crédit hypothécaire dans ce portefeuille. Le Conseil se propose d'adopter à la majorité qualifiée (l'Allemagne et les Pays-Bas sont opposés) un compromis qui prévoit notamment un seuil de 25 % pour les obligations hypothécaires.

Les questions fiscales proprement dites à l'ordre du jour concernent la définition uniforme de l'assiette TVA. En effet, la 6ème directive TVA avait permis aux Etats membres de maintenir un certain nombre de dérogations pendant une période transitoire. La Commission avait fait des propositions en vue d'éliminer ces dérogations. En ce qui concerne les objets d'art et les biens d'occasion (proposition de 7ème directive TVA), la présidence

maintient ce point à l'ordre du jour nonobstant le fait que la Commission a retiré sa proposition. En effet, la présidence avait élaboré un compromis qui n'est pas acceptable pour la Commission.

Cette proposition était sur la table depuis 10 ans. La présidence propose de distinguer entre opérations à l'intérieur d'un Etat membre et opérations transfrontalières et de laisser le choix aux Etats membres de choisir la méthode de taxation. La Commission juge inacceptable ce compromis, d'abord en raison de sa nature transitoire, limitée au 31 décembre 1992, en second lieu parce qu'il divise le marché intérieur et, en troisième lieu, parce qu'il contredit le principe de l'harmonisation de la définition de l'assiette en permettant aux Etats membres de faire des choix. La Commission se propose de faire, dans un proche avenir, une nouvelle proposition sur la fiscalisation de cette catégorie de biens.

La proposition de 18ème directive TVA concerne également la suppression de dérogations prévues par la 6ème directive TVA. Ces dérogations peuvent, selon la Commission, se classer en trois catégories : d'abord celle dont la signification économique et sociale est très faible, ensuite celle dont l'importance sociale est réelle, et enfin celle qui concerne des secteurs spécifiques pour lesquels il faudra prendre des décisions à un stade ultérieur, notamment les télécommunications, le transport de passagers, etc. La Commission avait proposé de supprimer les dérogations par étape. Sur la table du Conseil se trouve maintenant un compromis qui crée cependant pour certains Etats membres des difficultés. Ainsi le Royaume-Uni entend maintenir un régime dérogatoire pour les prestations culturelles et sportives, l'Irlande entend maintenir, pour deux ans encore, l'exonération sur les chevaux pur sang et les lévriers, les Pays-Bas voudraient exonérer les services d'experts d'assurances. La France, quant à elle, pose la question de la compatibilité de la suppression de l'exonération pour le transport de marchandises sur le Rhin et la Moselle avec les dispositions de l'acte de Mannheim, convention internationale réglant la navigation rhénane. L'Allemagne demande la suppression de la dérogation concernant les agences de voyage. Un certain nombre d'Etats ont des problèmes de calendrier. La discussion s'annonce compliquée.

Amitiés,

G. ANOUIL - cœneur

Bruxelles, le 13 novembre 1987.

NOTE BIO (87) 308 (suite 1) AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

Préparation du Conseil ECO/FIN du 16 novembre 1987 (F. Colasanti)

La réunion du Conseil ECO/FIN débutera à 10 H 00.

Le premier point à l'ordre du jour est un examen de la situation économique et monétaire actuelle. C'est la première fois que les Ministres de l'Economie et des Finances des Douze ont l'occasion de se rencontrer après la chute des valeurs boursières de la deuxième moitié du mois d'octobre et la turbulence qui a ensuite caractérisé le marché des devises. Ces perturbations sont si récentes et il reste encore tellement d'incertitudes d'ordre économique et politique qu'il est objectivement difficile de formuler des prévisions fiables quant à leurs effets sur l'évolution économique. Les Ministres essaieront de dégager une analyse commune des causes de ces perturbations et échangeront leurs impressions quant à l'évolution future.

Le deuxième point à l'ordre du jour, c'est la "création d'un espace financier européen". Les délégations auront à s'exprimer pour la première fois sur les propositions que la Commission a présentées le 28 octobre en exécution de la deuxième et ultime phase du programme pour la libération des mouvements de capitaux qu'elle avait présentée en mai 1986.

Matériel diffusé :

- IP 482 : Suisse-CE : Signature de l'accord de coopération en matière de terminologie
- IP 483 : Commission propose l'augmentation du TAC de pile dans la zone du canal de Bristol et du sud-est de l'Irlande
- IP 484 : Extraits du discours de M. Clinton Davis à Barcelone sur des problèmes de l'environnement
- Memo 115 : Déstockage de beurre

Amitiés,
G. Anoull



Brussels, 16 November 1987

NOTE BIO (87) 308 (suite 2) AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

ECO/FIN Council (16.11.1987)

The meeting of the Council started at 10 00h with a discussion on the first point of the agenda "Economic and Monetary Situation". The discussion, restricted to Ministers and closest collaborators, lasted more than two hours. At the end, the Council decided to publish a communiqué. (text sent separately)

Creation of a European Integrated Financial Space:
This point was introduced by a presentation of the Commission proposals by President Delors and Lord Cockfield (see BIO 284 of 28 October 1987). President Delors has indicated that the Commission considers it possible to arrive at the final approval of the draft directive before the end of the first semester of 1988.

The Monetary Committee and the Committee of Governors have confirmed that they have already started the examination of the Commission proposals. The point was then adjourned without additional declarations from any delegation.

The Ministers adjourned for lunch after the presentation by the President of the Commission of our plan for the final phase of capital movement liberalization. After lunch Lord Cockfield presented the Commission's proposals for the approximation of indirect taxation rates, an indispensable and inescapable prerequisite for the abolition of controls at the internal borders. Member States' reaction basically amounted to playing for time. Ministers praised the work done by the Commission but felt that without a precise analysis of the macro-economic impact of what the Commission proposed it would be difficult for them to take decisions.

Some Ministers took up points of detail. For instance the Dutch Minister felt that the differential of 6 % for the standard rate was too important and would create distortions. He also wondered why a high excise had been retained for tobacco - which he welcomed - but not for alcohol which was also a health hazard and responsible for many accidents.

Mr Lawson said that there could be no question for his Government not to honour election pledges on zero rates (food and children's clothing).

Most delegations found the Commission's timetable too ambitious and argued that the Economic Policy Committee should be asked to draw up a report on the macro-economic consequences of the Commission's proposal.

Lord Cockfield said that the Governments' reluctance to bite the bullet would not remove the agony, it would merely increase the pain. What the Commission proposed was the absolute minimum necessary to make the elimination of fiscal frontiers and controls possible. It was important to get the job done. He proposed a very tight timetable. The first stage from now until the 18 April ECO/FIN Council should see COREPER working on the VAT base, number of rates and level as well as the clearing system, excises and the convergence proposal. In the second phase running up to the 6 June 1988 Council one would take delivery of Parliament's opinion and deal with the excises on cigarettes. In the third phase after June 6 remaining proposals, concerning for instance, passenger transport, works of art, gold and Governments' requests for derogations would be considered.

The Commission looked to the Council to adopt all the fiscal proposals by the end of 1988 in order to allow Member States sufficient time for their implementation so as to make possible the abolition of internal frontiers no later than on the 31 December 1992.

Lord Cockfield also pointed out that during the Commission's work on these proposals Member States had failed to provide the macro-economic studies which the Commission had requested and that an Ad Hoc group of high level fiscal experts under the Dutch Presidency had reached the conclusion that the Commission's recipe for approximation offered in the White Paper was the only way to achieve the abolition of fiscal frontiers.

The Council decided to revert to the matter in the light of an analysis to be made by the Economic Policy Committee as soon as possible.

The Council's deliberations on the abolition of a number of derogations to the VAT base was inconclusive. The Commission undertook to table in the near future a new proposal concerning the taxation of secondhand goods and works of art. The draft 18th VAT Directive was referred back to COREPER.

As foreshadowed in "suite 1" the Council adopted a common position on UCITs by qualified majority. This will now go to Parliament.

The Council adjourned at 18 30 H.

Regards,


C.D. EHLERMANN - comeur

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BRUSSELS, 17 NOVEMBER 1987
NOTE BIO (87) 308 (SUITE 2 ADD. ET FIN) AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

E C O / F I N - STATEMENT BY THE SPOKESMAN
CONTRARY TO THE IMPRESSION CONVEYED IN THIS MORNING'S PRESS, THE
RECEPTION GIVEN BY THE COUNCIL TO THE COMMISSION'S PROPOSALS FOR
FISCAL APPROXIMATION WAS A POSITIVE AND A HELPFUL ONE.
DELEGATIONS UNANIMOUSLY PRAISED THE WORK DONE BY THE COMMISSION.
NOBODY CALLED INTO QUESTION THE 1992 OBJECTIVE NOR THE NEED ABOLISH
FISCAL FRONTIERS IN ORDER TO ACHIEVE IT.
THE MINISTERS CONFIRMED A POSITION ALREADY TAKEN AT NYBORG, I.E. THAT
THE ECONOMIC POLICY COMMITTEE SHOULD REPORT ON THE MACRO-ECONOMIC
IMPLICATIONS OF THE PROPOSALS. IN HIS SUMMING UP THE PRESIDENT OF THE
COUNCIL SAID THAT THE EPC SHOULD REPORT IN TIME FOR THE NEXT ECO/FIN
COUNCIL ON 7TH OF DECEMBER TO BE ABLE TO DEAL WITH THE MATTER. A
TIMETABLE FOR DEALING WITH THE PROPOSALS SHOULD BE DRAWN UP AT THAT
COUNCIL MEETING.

A NUMBER OF DELEGATIONS DID OF COURSE, EXPRESS RESERVATIONS ON POINTS
OF SUBSTANCE AND IT WAS CLEAR THAT SOME MEMBER STATES FORESAW
SUBSTANTIAL PROBLEMS WHICH WOULD HAVE TO BE EVALUATED. THOUGH IT WAS
TOO EARLY TO SAY HOW SUCH PROBLEMS WOULD EVENTUALLY BE SOLVED, IT WAS
NOTED THAT, AS THE COMMISSION HAS ALL ALONG ACKNOWLEDGED, MEMBER
STATES MAY IN CERTAIN INSTANCES MAKE OUT A CASE FOR DEROGATIONS.
IT IS IMPORTANT TO STRESS THAT YESTERDAY'S PROCEEDINGS DO NOT MEAN A
FURTHER DEFERRAL. 1992 REMAINS THE TARGET FOR IMPLEMENTATION.
ADOPTION BY THE COUNCIL OF THE PROPOSALS OUGHT TO COME AS EARLY AS
POSSIBLE SO AS TO LEAVE THE GOVERNMENTS ADEQUATE TIME FOR
IMPLEMENTATION.

AMITIES,

C. D. EHLERMANN - COMEUR

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D.H.D.	
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TRADE	All
AGRI.	
LEGAL	
FIN & DEV.	
SCI & ENF.	
SUP. AG.	
ADM.	
C.F.	