



COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT



PRESS RELEASE

8233/93 (Presse 135)

1682nd Council meeting

ECONOMIC AND FINANCIAL QUESTIONS

Brussels, 13 September 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:

<u>Belgium:</u> Mr Philippe MAYSTADT	Minister for Finance
<u>Denmark:</u> Mrs Marianne JELVED	Minister for Economic Affairs
<u>Germany:</u> Mr Johann EEKHOFF Mr Franz-Christoph ZEITLER	State Secretary for Economic Affairs State Secretary for Finance
<u>Greece:</u> Mr Leonidas EVANGELIDIS	Ambassador, Permanent Representative
<u>Spain:</u> Mr Pedro SOLBES MIRA Mr Alfredo PASTOR BODMER	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 Wim KOK	Minister for Finance
<u>Portugal:</u> Mr Jorge BRAGA DE MACEDO Mr José BRAZ	Minister for Finance State Secretary for the Treasury
<u>United Kingdom:</u> Mr Kenneth CLARKE	Chancellor of the Exchequer
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<u>Commission:</u> Mr Henning CHRISTOPHERSEN Mr Raniero VANNI d'ARCHIRAFI	Vice-President 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

BELGIAN PRESIDENCY'S WORK PROGRAMME

Pursuant to the conclusions of the Edinburgh European Council on transparency, the Council began its meeting with a discussion on the economic and financial aspects of the Belgian Presidency's work programme in a session open to the public (via televised broadcast).

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FINANCIAL ASSISTANCE TO THE PEACE PROCESS IN THE MIDDLE EAST

The Council took note of the Commission's intention to submit in the immediate future specific proposals for financial support from the Community to the Peace Process in the Middle East.

The Council agreed that 20 million will be added to the amount of ECU 70 million already in the budget for 1993. This amount, to be financed within the overall 1993 budget through transfers between lines, will be used to help establishing necessary administrative structures in Jericho and Gaza in particular for education and health, help in setting up small enterprises, and food aid.

The Council also agreed to examine urgently the Commission's proposals for a 5-year assistance programme comprising loans and grants.

The Council recalls that the Community over the years has contributed close to ECU 1 billion of aid to the Palestinian population.

The Community plans for the coming five-year period also comprise substantial assistance to neighbouring countries affected by the Peace Process.

MEDIUM-TERM FINANCIAL ASSISTANCE TO THE ITALIAN REPUBLIC
(SECOND TRANCHE OF THE LOAN) - CONCLUSIONS

1. The Council and the Commission reviewed progress made in implementing the Italian Government's programme, in accordance with the procedure laid down in Article 2 of the Council Decision of 18 January 1993.

They felt that the budgetary objective for 1993 would probably be reached and that the conditions for releasing the second tranche of ECU 2 billion had been met.

2. The Council and the Commission noted the Italian's Government's revised medium-term targets for 1994-1996.

They welcomed the emphasis placed, in the 1994 budget, on controlling expenditure and the structural nature of the adjustment measures.

They considered that, in view of the difficult economic situation in Italy, further budgetary efforts were required to enable the 1994 targets to be achieved.

3. In conclusion, the Council agreed to transfer the second tranche of the loan to Italy.

DEPOSIT GUARANTEE SCHEME

The Council approved, by a qualified majority, the substance of a common position on the Directive on the deposit guarantee scheme. The Council will, after finalization of the text, formally adopt the common position and forward it to the European Parliament for its second reading. As final adoption of the Directive is not envisaged until after the Maastricht Treaty

enters into force, it will be subject to the co-decision procedure with the European Parliament in accordance with Articles 57(2) (new version) and 189b of that Treaty.

Today's approval ensues from the Council's discussions of 7 June which revealed a large majority of delegations in favour of adopting a Directive in this field which involved the minimum co-ordination needed, in line with the principle of subsidiarity.

In fact the purpose of the Commission proposal, submitted to the Council in May 1992 in the context of completion of the internal market for credit institutions, was to introduce such a minimum of harmonized rules throughout the Community with a view to protecting depositors in the event of the bankruptcy of a credit institution and to prevent sudden withdrawals of funds to the detriment of the stability of the banking system.

The future harmonized system, with which each Member State will have to comply by 1 January 1995 at the latest, will be based on the following principal characteristics:

- in principle, all credit institutions must belong to a credit-guarantee system;
- deposits must be repaid, as a general rule, in full, up to a flat-rate minimum amount;
- special rules are laid down for branches of a credit institution situated outwith the Member State of the principal institution, the basic principle being that deposits collected by such branches should be guaranteed by the system of the Member State of origin.
- some derogations are provided for to allow Member States not to have to give up certain recognized practices.

As regards the main issues in the Directive, the Presidency has prepared an overall compromise involving the following:

- recognition of alternative systems, which protect the credit institutions themselves, as equivalent to deposit-guarantee schemes;

- exemption for certain credit institutions or categories of credit institution from the obligation to belong to a deposit-guarantee scheme. The compromise provides for a temporary exemption from the obligation to belong to a deposit-guarantee scheme for five years for certain categories of institution in Spain and Greece;

- right for branches in a State where the deposit scheme is more generous than in their home country to belong voluntarily to that State's deposit-guarantee scheme in order to benefit from supplementary cover (topping up). A five-year review clause is laid down in order to evaluate the situation in the light of experience;

- ban on branches in a State in which the protection scheme is more generous than in their home country from benefiting, in the host State, from more generous cover than that obtaining in the latter (non-export clause). This clause is laid down for a five-year period only, but at the end of that period the Council could, on the basis of a new Commission proposal, decide to extend the clause;

- amount of harmonized minimum cover. The Commission initially proposed a harmonized amount of ECU 15 000, but increased it to ECU 20 000 in accordance with the wishes of the European Parliament. The compromise retains that figure but provision is made, in view of the practical problems which a threshold increase may cause for some deposit-guarantee schemes, for those member States which so wish to limit the guarantee to ECU 15 000 for a transitional period of five years;

- possibility for Member States to impose, below the harmonized minimum threshold, an excess of 10% in order to place part of the responsibility on depositors ⁽¹⁾.

⁽¹⁾ Above the harmonized minimum threshold Member States remain free as to whether or not to impose an excess, and to decide on its percentage.

PREPARATION FOR THE ANNUAL MEETINGS OF THE BRETTON WOODS INSTITUTIONS

The Council approved the statements on behalf of the Community, prepared by the Monetary Committee, to be made by its Presidency at the annual meetings of the IMF and of the World Bank to be held in Washington from 26 to 30 September 1993.

FOLLOW-UP TO THE COPENHAGEN EUROPEAN COUNCIL - CONCLUSIONS

1. Aware of the need to strengthen Community initiatives to support economic activity, the Copenhagen European Council increased the amount of the EIB's temporary lending facility ("Edinburgh facility") from ECU 5 to 8 billion, including 1 billion earmarked for SMEs. The Council welcomed the fact that the facility was continuing to be implemented at a steady rate.
2. The Council acknowledged the desirability of stimulating SME investment. However, it took the view that that objective should be attained by means of a simple, non-discriminatory mechanism that could be implemented rapidly. The possibility was mooted of recourse to a Community initiative programme (CIP), and the Council noted the Commission's intention to examine the viability of such a solution as a matter of urgency.
3. The Council will in due course examine whether consideration should be given to a subsequent increase in the Edinburgh facility in favour of SMEs.
4. The Ecofin Council called upon Member States to take the necessary steps to expedite ratification of the act establishing the European Investment Fund which the Edinburgh European Council agreed to set up. The Council expressed its keen wish that the Fund be operational by the beginning of 1994 at the latest.

ECONOMIC AND MONETARY UNION SECONDARY LEGISLATION

In order to prepare the legislative texts necessary for implementation of the second stage of EMU, the Commission forwarded to the Council and the European Parliament at the end of July four texts in the form of "draft proposals" so that those Institutions could begin their proceedings informally pending entry into force of the Maastricht Treaty.

The Presidency set up an ad hoc working party to examine those texts. That Working Party met on 6 and 8 September and examined the draft relating to the prohibition of privileged access contained in Article 104a of the Treaty and the draft concerning the data to be used for calculating the key for contributions to the financial resources of the European Monetary Institute. The examination revealed the will of all delegations to make rapid progress with a view to meeting the target of 1 January 1994.

The Working Party will also be continuing its discussions over the coming weeks on the other two texts sent by the Commission, namely those on the ban on monetary financing and on excessive deficits.

The Presidency intends to submit a detailed report on all the texts under discussion for the informal Ecofin meeting on 8 and 9 October.

GUARANTEE FUND FOR EXTERNAL OPERATIONS

The Council reached agreement in principle to the establishment of a Guarantee Fund for external operations.

It asked the European Parliament to give its Opinion as soon as possible so that the Council can take a decision on that instrument, the prompt establishment of which is in the interests of both branches of the budget authority, as it would make it possible to respond in an orderly fashion to the consequences of any default by a debtor on a loan granted or guaranteed by the Community.

The Fund should rise to 10% of the Community's outstanding capital liabilities arising from each operation carried out for the benefit of a third country or for the purpose of financing projects in third countries, increased by unpaid interest due.

As regards the management of the Fund, the proposed solution divides responsibility between the Commission and the EIB, with the former responsible for the budgetary management of operations and the latter for the financial management of the Fund.

EIB LOANS IN CENTRAL AND EAST EUROPEAN COUNTRIES

The Council also agreed in principle on granting a Community guarantee to the EIB against losses under loans for projects in Central and East European countries.

In this instance too the Council asked the European Parliament to give its Opinion as soon as possible to enable the Council to take a decision on the matter so that the EIB could sustain its assistance in Central and Eastern Europe without interruption;

It is envisaged that the amount of the guaranteed loans will be ECU 3 billion for a period of 3 years for loans granted, in accordance with the usual criteria, for investment projects in Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, Bulgaria, Latvia, Estonia, Lithuania and Albania.

FINANCIAL ASSISTANCE FOR ALBANIA

The Council agreed to pay the second tranche, in the form of a grant of ECU 35 million, of the financial assistance of ECU 70 million for Albania decided upon on 28 September 1992, after noting that the conditions laid down in that Decision had been fulfilled.

MISCELLANEOUS DECISIONS

Relations with Haiti

Following the decision of the United Nations Security Council of 27 August 1993 suspending, in the light of the progress made towards normalizing the situation in Haiti, the embargo against that country of 16 June 1993, the Council in turn adopted a Regulation suspending the embargo decided on 24 June 1993 concerning certain trade between the Community and Haiti.

Commercial policy

The Council adopted the Decision changing the import arrangements under Regulation No 3420/93 and applied in the Benelux to certain State-trading countries in respect of various products originating in those countries and not liberalized at Community level.

Anti-dumping

The Council adopted the Regulations:

- amending Regulation No 729/92 of 16 March 1992 imposing a definitive anti-dumping duty on imports of certain thermal paper originating in Japan (exemption of one firm: Nippon Paper Industries Co. Ltd., as successor to another firm, Jujo paper Co. Ltd.);
- imposing a definitive anti-dumping duty on imports of artificial corundum originating in the People's Republic of China, the Russian Federation and Ukraine, with the exception of those imports sold for export to the Community by companies whose undertakings have been accepted. The rate of the duty is: China, 30,8%, Russia, 9,8% and Ukraine, 9,8%. The duties do not apply to imports into the Community from the following companies which have given price undertakings:

in China: China National Machinery and Equipment Import and Export Corporation, China No 2 Grinding Wheel Plant, China No 4 Grinding Wheel Plant, Shandong Machinery and Equipment Import and Export Corporation, CMEC Guangdong Co. Ltd. and China Abrasives Export United Corp.;

in Russia: V/O Stankoimport;

- amending Regulation No 2089/84 imposing a definitive anti-dumping on imports of certain ball-bearings originating in Japan and Singapore (repealing the anti-dumping duty on ball-bearings originating in Singapore with effect from 21 September 1990);

- repealing Article 1(4) of Regulation No 2849/92, modifying the definitive anti-dumping duty on imports of ball-bearings with a greatest external diameter exceeding 30 mm originating in Japan imposed by Regulation No 1739/85 (amendment concerning the definition of the customs valuation).

Relations with the members of the Association of South-East Asian Nations (ASEAN)

The Council authorized the Commission to negotiate, on behalf of the Community, an agreement on the control of drugs precursors with Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand - member countries of the ASEAN.

International Coffee Agreement

The Council adopted the Decision concerning notification of the acceptance by the Community of the International Coffee Agreement 1983, as extended to 30 September 1994.

Nutritional feedingstuffs

The Council adopted the Directive on feedingstuffs intended for particular nutritional purposes. Its purpose is to supplement current Community legislation by laying down specific rules to be complied with in the production, marketing and control of compound feedingstuffs for particular nutritional purposes. Those rules will make it possible to make a clear distinction between such "nutritional feedingstuffs" and other types of feedingstuff.

Agreement in principle by a qualified majority (with the United Kingdom delegation voting against) was already reached at the Agriculture Council meeting in July.

Transport

Following fresh consultation of the European Parliament, the Council adopted the Directive concerning minimum requirements for vessels bound for or leaving Community ports and carrying dangerous or polluting goods.

The main purpose of this Directive, on which agreement in principle was reached at the Transport Council meeting on 7 and 8 December 1992 (see press release 10524/92 Presse 136), is to ensure, in an initial stage, that the authorities appointed by the Member States are informed of the presence of dangerous or polluting goods on board vessels bound for or leaving Community ports.

Provision is made for the obligations deriving from the Directive to take effect 24 months after its adoption. The Directive will also apply to tankers, the requirements for which will be more stringent than those laid down in Directive 79/116/EEC on the entry into and departure from Community ports of this type of vessel.

Energy

Following the substantive agreement reached at the Energy Council meeting on 25 June 1993 (see press release 7467/93 Presse 114), the Council formally adopted:

- a Decision on the promotion of renewable energy sources (Altener programme);
- a Directive on improving energy efficiency (SAVE programme).

Those instruments form part of the Community strategy for stabilizing carbon dioxide emissions in order to combat the greenhouse effect.

In specific terms, the objective of the Altener programme, which is for a five-year period from 1 January 1993, is to reduce carbon dioxide emissions by 180 million tonnes by 2005 through the development of renewable energy sources. The purpose of the SAVE programme is to limit carbon dioxide emissions by establishing and implementing national programmes for the improvement of energy efficiency in a number of areas.

ECSC

The Council gave its assent to a draft Commission Decision on the granting of financial aid of ECU 3,7 million for 14 projects coming under ECSC social research in the field "Technical control of nuisances at the place of work and in the environment of iron and steel works". The total cost of the research projects selected is ECU 7,2 million.

Appointment of members of the Court of Auditors

In accordance with the first subparagraph of Article 206(4) of the Treaty establishing the European Economic Community and the corresponding provisions of the other Treaties, the Council decided to consult the European Parliament on the appointment as members of the Court of Auditors of the following:

- Mr Patrick EVERARD, proposed by the Belgian authorities in place of Mr Roger CAMUS;
- Mr Ole WARBERG, proposed by the Danish authorities, currently a member of the Court of Auditors;
- Mr Giorgio CLEMENTE, proposed by the Italian authorities, currently a member of the Court of Auditors;
- Mr Armindo de Jesus DE SOUZA RIBEIRO, proposed by the Portuguese authorities, in place of Mr BOTELHO-MORENO;
- Mr Barry DESMOND, proposed by the Irish authorities, in place of Mr Richie RYAN.

These appointments are proposed for the period from 18 October 1993 to 17 October 1999.

The Spanish delegation has not yet sent its proposal to the Council.

Appointment to the Economic and Social Committee

The Council appointed Mr Jean-Paul BASTIAN a member of the Economic and Social Committee in place of Mr Luc GUYAU for the remainder of his term of office, which runs until 20 September 1994.

Bruxelles, le 13 septembre 1993

NOTE BIO(93) 209 AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

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ECOFIN COUNCIL (T. Kroyer)

Second tranche of 2 billion ECU to Italy

After today's ECOFIN Council, the President of the Council, Belgian Prime Minister Philippe Maystadt, informed journalists that the Council - after a public session on the work programme of the Belgian Presidency - has authorised the Commission to go ahead with the disbursement of the second tranche of the 8 billion Italian loan. This followed a report to the Council by Vice-President Henning Christophersen and the President of the Monetary Committee.

According to the decision, the Council and the Commission have reviewed the progress made in the implementation of the programme of the Italian government, according to the procedure laid down in article 2 of the Council decision of 18 January 1993.

They are of the view that the budgetary goal for the year 1993 is likely to be met and that the conditions for the release of the second tranche of 2 billion ECU are fulfilled.

The Council and the Commission take note of the revised medium-term budgetary targets of the Italian government for the period 1994-1996.

They welcome the emphasis on expenditure control in the budget for 1994 as well as the structural character of the adjustment measures.

They believe that, taking due account of the difficult economic situation in Italy, there is still need for additional budgetary efforts necessary to meet the 1994 targets.

Financial assistance to the peace process in the Middle East

The Council took note of the Commission's intention to submit in the immediate future specific proposals for financial support from the Community to the Peace Process in the Middle East.

The Council agreed that 20 MECU will be added to the amount of 70 MECU already in the budget for 1993. This amount, to be financed within the overall 1993 budget through transfers between lines, will be used to help establishing necessary administrative structures in Jericho and Gaza in particular for education and health, help to setting up of small enterprises, and food aid.

The Council also agreed to examine urgently the Commission's proposals for a 5-year assistance program comprising loans and grants.

The council recalls that the Community over the years has contributed close to 1 billion ECU of aid to the Palestinian population.

The Community plans for the coming five-year period also comprise substantial assistance to neighbouring countries affected by the Peace Process.

Follow-up to the Copenhagen Summit

The Council had a discussion on the follow-up to the Copenhagen Summit conclusions on growth and unemployment. The debate focused on interests subsidies for SMEs. Vice-President Christophersen reminded the Council that the Copenhagen Summit had decided that interest subsidies should be granted to SMEs for loans of 1 billion ECU. This was decided when the Edinburgh facility of 5 billion ECU was increased from 5 billion to 8 billion ECU. The Commission considered this to be a clear decision which would have to be carried out. If there could not be a Council decision on other proposals, the Vice-President mentioned the possibility of a Community initiative action.

The Council agreed that a solution should be simple, rapid and non-discriminatory. The Council took note of the Commission's intention to examine the viability of such a Community initiatives solution.

The Council also urged Member States to ratify necessary provisions to establish the European Investment Fund decided in Edinburgh.

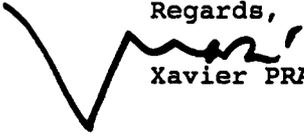
Secondary legislation concerning EMU

Mr Maystadt informed journalists that an ad-hoc group presently is examining the four directives put forward by the Commission as secondary legislation to be adopted before the start of the second stage of EMU. The Council President said that this work is progressing, and he hoped that a political agreement could be reached at the informal ECOFIN Council 8-9 of October early enough to be effective from 1st January 1994.

EIB loans to East and Central Europe

Finally, Vice-President Christophersen told journalists that the Commission proposal to grant Community guarantee for EIB loans to East and Central Europe met the support of the Council. According to the proposal, the Community provides a Community guarantee for EIB loans of 3 billions ECU over three years, to East and Central European countries including the Baltic States. It is a global system which was not the case for the guarantees rented over recent years to East and Central European countries according to separate decisions.

Regards,


Xavier PRATS

ECO/FIN COUNCIL OF 13 SEPTEMBER 1993

Le Conseil ECO-FIN a adopte a la majorite qualifiee la position commune sur la proposition modifiee de directive relative aux systemes de garantie de depots. Celle-ci sera maintenant examinee par le Parlement Europeen avant l'adoption definitive de la directive par le Conseil des Ministres.

'Je suis particulierement heureux de l'accord atteint aujourd'hui, car je considere qu'un des derniers obstacles a la libre circulation des capitaux et a la libre prestation de services va pouvoir ainsi tomber et ce au benefice du fonctionnement du marche unique'.

La proposition modifiee de la Commission prevoit une harmonisation minimale necessaire pour proteger les depositants de chaque etablissement de credit en cas de crise financiere et, d'autre part, pour assurer la stabilite du systeme bancaire. Les elements principaux de cet accord sont les suivants:

1. tous les etablissements de credit (sauf exceptions determinees) doivent adherer a un systeme de garantie de depots et le niveau de garantie minimale est fixe a 20.000 ecus. Pendant une periode transitoire de 5 ans les EM pourront choisir de limiter la garantie a un montant de 15.000 ecus. Une co-responsabilite peut etre admise a concurrence de 10% maximum.
2. clause de la 'non-exportation': jusqu'au 31.12.99 la couverture offerte par une succursale ne peut etre superieure a celle du systeme de garantie choisie par le pays d'accueil. Apres cette date, la Commission presentera un rapport et, si tel est le cas, une proposition modifiant cet aspect.
3. clause de 'topping up': les succursales peuvent adherer au systeme de garantie dans le pays d'accueil quand celui-ci est plus favorable aux depositants par rapport au systeme en vigueur dans le pays d'origine. C'est sur ce point que la discussion s'est concentree au Conseil, l'Allemagne s'opposant a ce que des succursales beneficent d'un systeme plus avantageux, sans que les autorites de ce pays soient responsables de la surveillance. C'est toutefois sur la base du principe de la non discrimination, garanti par le Traite, qu'il a ete decide de la sorte.

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