

COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT

PRESS RELEASE

7003/90 (Presse 89)

1411th Council meeting

- Economic and Financial Affairs -

Brussels, 11 June 1990

President: Mr Albert REYNOLDS

Minister for Finance
of Ireland

11.VI.90

ood/LG/ac

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:

Mr Niels HELVEG PETERSEN Minister for Economic Affairs

Mr Henning DYREMOSE Minister for Finance

Germany:

Mr Theo WAIGEL Federal Minister for Finance

Mr Horst KOEHLER State Secretary, Federal Ministry of Finance

Greece:

Mr Eythymios CHRISTODOULOU Deputy Minister for Foreign Affairs

Mr Georges PASTAMKOS State Secretary for Economic Affairs

Spain:

Mr Carlos SOLCHAGA CATALAN Minister for Economic Affairs and Finance

France:

Mr Pierre BEREGOVY Ministre d'Etat, Minister for Economic and Financial Affairs and the Budget

Ireland:

Mr Albert REYNOLDS Minister for Finance

Mrs Maire GEOGHEGAN-QUINN Minister of State, European Affairs

11.VI.90

ood/LG/ac

Italy:

Mr Guido CARLI

Minister for the Treasury

Luxembourg:

Mr Jean-Claude JUNKER

Minister for Finance

Mr Robert GOEBBELS

Minister for Economic Affairs

Netherlands:

Mr W. KOK

Minister for Finance

Mr M. VAN AMELSVOORT

State Secretary for Finance

Portugal:

Mr Miguel BELEZA

Minister for Finance

Mr Carlos TAVARES

State Secretary for the Treasury

United Kingdom:

Mr John MAJOR

Chancellor of the Exchequer

The Earl of CAITHNESS

Paymaster General

o

o o

Commission:

Mr Jacques DELORS

President

Mr Leon BRITTAN

Vice-President

Mr Henning CHRISTOPHERSEN

Vice-President

Mrs Christiane SCRIVENER

Member

o

o o

also present:

Mr Karl Otto POEHL

Chairman of the Committee of
Governors of the Central Banks
Chairman of the Monetary
Committee

Mr Mario SARCINELLI

Chairman of the Economic Policy
Committee

Mr Bernhard MOLITOR

11.VI.90

ood/LG/joc

MULTILATERAL SURVEILLANCE

The Council conducted the first exercise in multilateral surveillance on the basis of reports from the Commission and the Monetary Committee and in the presence of the Chairman of the Committee of Governors of the Central Banks. This exercise was of particular importance given that it constituted the first application of the procedures laid down in the new "Convergence" Decision adopted in March 1990 and that it was being held only a few days before the first stage of economic and monetary union began.

This examination showed that the Community was entering into this first stage of EMU under favourable economic conditions although some problems of convergence remained, particularly as regards inflation and budgetary deficits.

GERMAN ECONOMIC AND MONETARY UNION

Over lunch the Minister for Finance of the Federal Republic briefed his colleagues on the latest developments regarding the achievement on 2 July 1990 of German economic and monetary union.

11.VI.90

ood/LG/joc

ECONOMIC AND MONETARY UNION

The Council continued its discussion of economic and monetary union.

In this context it heard reports from the Chairmen of the Committee of the Governors of the Central Banks, the Monetary Committee and the Permanent Representatives Committee on progress made by these Committees inter alia on the Commission's note on the institutional aspects of economic and monetary union, as well as a report from the Chairman of the Economic Policy Committee on the cost/benefit aspects of implementation of EMU.

The Ministers held a detailed discussion on the basis of the facts highlighted in these reports.

In concluding the discussions, the President said that he intended to prepare an analysis of the question for the European Council meeting in Dublin on 25 and 26 June which would reflect the work carried out by both the ECO/FIN Council and the General Affairs Council and would pinpoint the main problems to be resolved, particularly in the institutional sphere.

The Council also asked the various committees to press on with their work on the matter with a view in particular to the next informal meeting to be held by the Ministers in September. Finally, the Council noted that the Commission intended to submit a comprehensive report covering the EMU question before the end of July.

11.VI.90

ood/LG/joc

DIRECT TAXATION OF COMPANIES IN DIFFERENT MEMBER STATES

The Council resolved the problem of the withholding tax applied in the Federal Republic of Germany on dividends distributed by a subsidiary to its parent company in another Member State as well as all the other problems still outstanding with respect to the proposals for Directives on mergers and parent companies/subsidiary companies and to the draft Convention on an arbitration procedure.

Adoption of these texts - which will formally take place following legal/linguistic finalization - will remove a whole range of tax obstacles currently inhibiting potential co-operation between companies in different Member States.

- the mergers Directive provides for any capital gains arising from a merger, a division or contribution of assets or an exchange of shares to be taxed not at the time of the operation in question but only when these capital gains are actually realized. The arrangements are those already applied domestically by the Member States.

- The parent companies/subsidiary companies Directive is intended to eliminate double taxation of the dividends distributed by a subsidiary established in one Member State to its parent company established in another Member State. To that end it provides for:
 - = the Member State in which the subsidiary is established to abolish any withholding tax, on the understanding that the date on which this principle is to be applied is deferred where Greece, Portugal and the Federal Republic of Germany are concerned;

 - = the Member State in which the parent company is established to exempt the dividends or else tax them while setting the tax charged in the subsidiary's Member State against its own tax.

11.VI.90

ood/LG/joc

- The arbitration procedure Directive provides for the introduction of procedures designed to ensure, within specified periods, the elimination of double taxation occurring in connection with the adjustment of profits of associated undertakings by national tax administrations.

ABOLITION OF FISCAL FRONTIERS

The Council heard a presentation by Mrs SCRIVENER of the new Commission proposals on the abolition of fiscal frontiers, viz. the proposals on transitional VAT arrangements, administrative co-operation in the area of indirect taxation and statistics for intra-Community trade.

The Council held an exchange of views on this issue, following which it instructed a high-level ad hoc Working Party to examine the proposals in question. It noted that the Italian Presidency was giving the highest priority to examination of this dossier, which would be placed on the agenda for each meeting of the ECO/FIN Council in the second half of 1990.

As regards travellers' allowances, Commissioner SCRIVENER made an urgent appeal to the Council to make progress in this area.

The Council agreed to continue its search for a solution on the basis of the compromise put forward by the Netherlands delegation, having regard to the comments made at this meeting.

11.VI.90

ood/LG/joc

INVESTMENT SERVICES IN THE SECURITIES FIELD

The Council heard a statement by Vice-President Sir Leon BRITTAN on the main problems arising with respect to the amended proposal for a Directive on investment services in the securities field and held a policy debate on the matter.

The Directive is to constitute an essential instrument for achieving the internal market from the point of view of both freedom of establishment and freedom to provide financial services, in the field of investment firms.

It provides in particular for liberalization of access to stock exchange and financial futures and options markets in host Member States for investment firms authorized to carry out the relevant services in their home Member State.

The approach adopted is to achieve only the essential harmonization necessary and sufficient to secure the mutual recognition of authorization and of prudential supervision systems making possible the granting of a single authorization recognized throughout the Community and application of the principle of home Member State prudential supervision; for that reason it is also known as the "passport Directive".

Having noted with approval the progress made to date on the proposal for a Directive, the Council proposes to adopt its common position at an early meeting and in any event before the end of the year so that the Directive may be implemented on 1 January 1993. To that end it instructed the Permanent Representatives Committee to expedite its examination of the proposal as a matter of priority.

11.VI.90

ood/LG/joc

COURT OF AUDITORS' REPORT ON EXPORT REFUNDS - COUNCIL CONCLUSIONS

The Council considered that the Court of Auditors' special report on export refunds raised a number of substantial issues, both in relation to the effective operation of a Community policy and in connection with the need for adequate control systems to prevent fraud against the Community budget. It therefore invited the Permanent Representatives Committee to ensure that the recommendations in the report are urgently considered and the outcome reported to the Ecofin and the Agriculture Councils as soon as possible.

11.VI.90

ood/LG/joc

MISCELLANEOUS DECISIONS

Transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities

The Council adopted a Regulation on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities.

The Regulation is based on the premise that, to enable it to carry out the duties entrusted to it by the Treaties, especially with a view to the internal market, the Commission must have full and reliable information and that, with a view to efficient management, the Statistical Office of the European Communities must be able to obtain all the national statistical information necessary in order to prepare Community statistics and carry out the necessary analyses.

So as to ensure that the SOEC is not deprived of a significant amount of data covered by national provisions on confidentiality, the Regulation is designed:

- to authorize national authorities to transmit confidential statistical data to the SOEC;
- to provide a guarantee that the Commission will take all necessary measures to ensure the confidentiality of the data transmitted.

The Regulation applies to statistical confidentiality only. It does not affect special Community or national provisions safeguarding confidentiality other than statistical confidentiality.

11.VI.90

ood/LG/joc

Financing by the European Investment Bank for projects in the German Democratic Republic

Following the position adopted by the European Council on 28 April 1990 whereby the German Democratic Republic should have full access to loans from the European Investment Bank during the run-up to unification, the Council invited the Bank to extend loans and guarantees for the financing of projects situated in the territory of the German Democratic Republic.

Letter of amendment No 1 to draft supplementary and amending budget No 2 for the financial year 1990

The Council approved letter of amendment No 1 to draft supplementary and amending budget No 2/90 increasing the Commission's administrative appropriations by ECU 15 million and the appropriations for the Court of Auditors by ECU 340 800 and adjusting the final balance for the financial year 1989 to ECU 5 080 million.

Letter of amendment No 2 to draft supplementary and amending budget No 2 for the financial year 1990

The Council also approved letter of amendment No 2 to preliminary draft supplementary and amending budget No 2 for the financial year 1990 designed to increase by ECU 200 million in commitment appropriations and ECU 50 million in payment appropriations heading 996 newly entitled "Aid for the economic restructuring of the countries of Central and Eastern Europe".

II.VI.90

ood/LG/joc

FISHERIES

The Council adopted a Regulation amending Regulation (EEC) No 2245/85 laying down certain technical measures for the conservation of fish stocks in the Antarctic.

The purpose of the Regulation is to translate into Community law conservation measures adopted by the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) around South Georgia with respect to the total allowable catches (TACs) for certain species.

Appointments

The Council renewed the Administrative Board of the European Foundation for the Improvement of Living and Working Conditions.

Bruxelles, le 8 Juin 1990

433

NOTE BIO (90) 173 AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

Préparation Conseil ECOFIN du 11 Juin 1990 à Luxembourg (G. Guarneri)

Multilateral Surveillance (T. Kroyer)

For the first time the Council will undertake the exercise of multilateral surveillance, as foreseen in the revised decision of economic convergence to take place in the first stage of EMU. According to this decision the Ministers of Finance and Economy will study analyses on the economic situation in the twelve Member states. According to the directive the Council can decide on recommendations to Member states but such dramatic steps are not foreseen this time.

Vice-President CHRISTOPHERSEN will give a Press conference Monday afternoon in Luxembourg where the economic situation and the forecasts for 1990 and 1991 will be presented (essential parts of the forecasts regrettably appear in French Press today).

The meeting of the ECO/FIN Council is in restricted session during the discussion of multilateral surveillance.

The Ministers will also have an exchange of views on the Commission's paper on the institutional aspects of the EMU. No formal decision on this matter is expected.

The Commission intends to put forward a complete paper on EMU before the holidays.

Investment Services (M. Berendt)

The Council will be discussing the investment services directive for the first time although it was sent to Ministers about 18 months ago. It forms a major element in the creation of a single market in financial services. The second banking directive will already give banks the right to buy and sell investments throughout the Community as from January 1 1993, but this right does not extend to independent stock brokers or other investment institutions. The Ministers will be discussing legislation which will be based on the principle of home country control and mutual recognition for investment companies, but have difficulties over the conditions for compensation which differ substantially

throughout the Community. The Commission proposes that the rules in the country where the company is operating should apply to compensation until common Community rules have been agreed (host country control), but a number of member states argue that the common EC rules for compensation should be proposed and adopted before the investment services directive itself can come into effect. No detailed discussion is anticipated in the Council, nor are any conclusions expected. The Commission is concerned that this directive should reach a common position by the end of 1990.

Point : Abolition des frontières fiscales (G. Guarneri)

Mme Scrivener présentera au Conseil des Ministres de l'Economie et des Finances les deux propositions en matière de TVA, adoptées le 8 mai dernier, qui complètent les propositions de la Commission assurant l'abolition des frontières fiscales.

La première proposition porte sur le régime transitoire de taxation en vue de l'établissement du marché intérieur; la deuxième introduit un nouvel instrument de coopération entre administrations fiscales.

Compte tenu de l'urgence d'une adoption rapide par le Conseil du système proposé, le Commissaire en charge demandera aux Ministres d'établir un calendrier pour que les décisions en la matière, y compris en matière d'accises, soient prises en temps utile.

Amittés,
C. STATHOPOULOS

Strasbourg, le 12 Juin 1990

Suite 1

NOTE BIO 173 (90) ~~suite 2~~ AUX BUREAUX NATIONAUX
cc aux Membres du Service du Porte-Parole

ECO/FIN COUNCIL 11 JUNE 1990 (T.KROYER)

Multilateral Surveillance

The ECO/FIN Council undertook the first exercise of multilateral surveillance. This exercise is a key element in the economic cohesion to take place in Stage One of EMU. Vice-President Henning CHRISTOPHERSEN told at a press conference afterwards that the economic situation in the Community had been discussed in a frank manner. The important issues in the debate had been :

- Inflation in the Community
- public deficits in most member states
- the monetary markets
- the consequences of German unification.

The Vice-President said that there had not been adopted or proposed recommendations or operational conclusions concerning any Member State.

At the same occasion the Vice-President presented the economic forecasts for the Community. He considered the economic outlook as overall satisfactory. This year is expected a growth rate of 3% and 3.1% in 91.

According to the forecasts worked out by the Commission services employment will continue to expand and the unemployment rate is expected to be 8.3% in 91. In 1985 the unemployment rate peaked at 10.8%.

However, the inflation rate of 5% is higher than expected only few months ago.

"In view of the economic cohesion to take place in Stage One of EMU is essential that all Member States are vigilant to keep down inflation", Mr Christophersen said.

Mr Christophersen in reply to questions from journalists said that the Commission has received no requests of loans from Greece nor from USSR.

Economic and Monetary Union

The Council had a long exchange of views on EMU. President Jacques DELORS presented the Commission's Paper on institutional questions and told Council that the Commission by the end of July intends to put forward a comprehensive paper on EMU containing cost-benefit analysis, the design of EMU and institutional questions.

The intervention of the President gave rise to a debate on institutional issues such as the voting system in the Board of Governors of Eurofed, the independence of EuroFeed and the role of the institutions in the conduct of economic and monetary policy.

Vice-President Christophersen told journalists that the Council had received the Commission's institutional paper well. There are points of disagreement but we are now in a better position to work out our final document, he said.

Amitiés,

T. KROYER