


COUNCIL OF THE EUROPEAN COMMUNITIES
GENERAL SECRETARIAT


PRESS RELEASE

10149/88 (Presse 206)

1285th Council meeting
- Economic and Financial Affairs -
Brussels, 12 December 1988

President: Mr Panayotis ROUMELIOTIS,
Minister for Economic Affairs
of the Hellenic Republic

12.XII.88

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

Germany:

Mr Gerhard STOLTENBERG Minister for Finance

Mr Otto SCHLECHT State Secretary, Federal Ministry of Economic Affairs

Mr Hans TIETMEYER State Secretary, Federal Ministry of Finance

Greece:

Mr Panayotis ROUMELIOTIS Minister for Economic Affairs

Spain:

Mr Carlos SOLCHAGA CATALAN Minister for Economic Affairs and Finance

Mr Pedro PEREZ State Secretary, Ministry of Economic Affairs

France:

Mr Pierre BEREGOVOY Minister for Economic Affairs, Finance and the Budget

Ireland:

Mr Albert REYNOLDS Minister for Finance

Italy:

Mr Giuliano AMATO Minister for the Treasury

Luxembourg:

Mr Jacques POOS Minister for Economic Affairs and the Self-Employed

Netherlands:

Mr O.C.R. RUDING

Minister for Finance

Portugal:

Mr Miguel CADILHE

Minister for Finance

United Kingdom:

Mr Nigel LAWSON

Chancellor of the Exchequer

o

o

o

Commission:

Mr Jacques DELORS

President

Mr Henning CHRISTOPHERSEN

Vice-President

Lord COCKFIELD

Vice-President

Mr Peter M. SCHMIDHUBER

Member

Mr Abel MATUTES

Member

OWN FUNDS OF CREDIT INSTITUTIONS

The Council reached a common position on the Directive on own funds of credit institutions.

The establishment of common rules in this area is a key element in achieving an internal market in the banking sector, since own funds ensure continuity in the activity of credit institutions and protect savings. This harmonization is one of the corner stones of the European market in financial services, the others being, on the one hand, the liberalization of capital movements and supervision on a consolidated basis, and on the other, measures in preparation for more thorough harmonization of banking legislation and solvency coefficients.

To avoid distortions in competition between credit institutions, definitions and rules regarding own funds must be equivalent throughout the Community. These common rules have been defined in a sufficiently general manner to cover all elements comprising own funds in the various Member States. Details of certain elements making up own funds will be provided later. The Member States may still apply stricter provisions for some elements.

Adequacy of capital is the basis for effective prudential supervision and will improve comparability between institutions finding themselves side by side in a market more open to competition.

A flexible review and updating procedure has been provided for which will permit the implementing rules to be brought into line with the continuing development of financial techniques. This procedure will take the form initially of amending the Directive through co-operation with the European Parliament, as laid down in the Single Act, and will be replaced shortly by a more streamlined procedure which will take account of the specific features of the financial sphere as a whole.

Once the texts have been finalized, the Council will adopt the common position before the end of the year in order that the co-operation procedure with the European Parliament may be set in motion in January 1989.

PROSPECTUS TO BE PUBLISHED WHEN TRANSFERABLE SECURITIES ARE OFFERED
TO THE PUBLIC

The Council agreed on a common position on the Directive co-ordinating the requirements for the drawing up, scrutiny and distribution of the prospectus to be published when transferable securities are offered for subscription or sale to the public.

This Directive will apply to transferable securities offered for the first time to the public in a Member State before being quoted on the stock exchange in that State and supplements Directive 80/390/EEC requiring a prospectus to be published at the time of application for admission to official stock exchange listing. The advantage of it is that it brings forward the time of provision of information to the point at which the securities are first offered to the public.

Like that of the other Directives already adopted in the field of transferable securities, the aim of the above Directive is twofold: to protect the investor through the provision of appropriate and complete information on transferable securities, on the basis of which he can evaluate the risks entailed, and to encourage investment. The Directive does, however, provide for relief in the case of small and medium-sized undertakings wishing to arrange for public funding of their activities.

The Directive lays down that certain types of offer or security are, by their nature and volume, excluded from its scope. One of the questions calling for a Council decision in this area was whether Euro-issues should be included in the scope of the Directive, and if so to what extent. Under the terms of the solution adopted, the Directive does not apply to transferable Euro-securities which are not the subject of a full-scale campaign of advertising or canvassing.

The Council concluded by instructing the Permanent Representatives Committee to finalize the texts encompassed by the common position, so that they could be formally adopted by the end of the year and then forwarded to the European Parliament in January 1989 under the co-operation procedure.

APPLICATION OF THE DECISION ON THE SYSTEM OF OWN RESOURCES

After initially discussing the proposal for a Regulation applying the Decision of 24 June 1988 on the system of Community own resources, the Council thought that it would be able to reach a common position before 31 December 1988 without prejudice to the European Parliament's Opinion on the proposal. The Regulation could not, however, be formally adopted prior to that date.

The Representatives of the Governments of the Member State meeting within the Council noted, therefore, that Regulation No 2891/77 remained in force and agreed, in the case of the 4th resource, to apply the provisions of the draft Regulation as they emerge either from the Council's discussions or else from a common position established by 31 December 1988.

It was agreed that payments thus made would be adjusted as and when necessary in accordance with the new Regulation, once it entered into force with retroactive effect from 1 January 1989.

The Commission endorsed this Council conclusion.

UNIFORM ARRANGEMENTS FOR THE COLLECTION OF VAT OWN RESOURCES

Having reached substantive agreement on the proposed Regulation concerning uniform arrangements for the collection of VAT own resources, the Council felt it would be able to establish a joint guideline by 31 December 1988, although it would not be possible formally to adopt the Regulation before that date.

In these circumstances, the Representatives of the Governments of the Member States, meeting within the Council, agreed that Member States' obligations, particularly those under Article 5 of the Treaty, would be met in line with the provisions of the draft Regulation as they emerge either from the Council's discussion or else from a common position to be established by 31 December 1988.

It was understood that payments thus made would be adjusted as and where necessary in accordance with the new Regulation, once it entered into force with retroactive effect from 1 January 1989.

The Commission endorsed this Council conclusion.

ANNUAL ECONOMIC REPORT 1988-1989

On the basis of the text submitted by the Commission and the discussions held by the Co-ordinating Group for Economic and Financial Policies, the Council held an in-depth exchange of view on the economic situation in the Community and on the guidelines to be followed by Member States in 1989.

At the close of its discussion, the Council signified its agreement to the annual economic report 1988-1989, which will be formally adopted before the end of the year, once the text has been finalized.

ABOLITION OF FISCAL BARRIERS

The Council heard a statement by Lord COCKFIELD on the contacts he had had with Member States' Governments following the meeting of the ECO/FIN Ministers in Crete in October, concerning problems arising in the abolition of fiscal barriers with regard to VAT and excise duty.

The Council also took note of Lord COCKFIELD's suggestions concerning the organization of work in this area.

Here, the Council held an exchange of views and the Spanish Minister, in his capacity as future President of the Council, announced that he would be making procedural proposals in January.

12.XII.88

DUTY-FREE ALLOWANCES FOR TRAVELLERS AND SMALL CONSIGNMENTS WITHIN
THE COMMUNITY

The Council approved two Directives aimed at adjusting the allowances for travellers and small consignments within the Community so as to maintain the value in real terms as requested by the European Parliament.

The duty-free allowances concerned are therefore increased as follows from 1 July 1989:

- allowance for travellers within the Community from 350 ECU to 390 ECU;
- allowance for travellers less than 15 years old from 90 ECU to 100 ECU;
- derogation for Denmark and Greece from 200 ECU to 310 ECU;
- derogation for Ireland from 77 ECU to 85 ECU.

For small consignments, the general amount goes up from 100 to 110 ECU, in the case of Ireland from 75 to 85 ECU.

Should the conversion of the amounts of duty-free allowance expressed in ECU lead to a change of less than 5% in the allowance expressed in national currency or to a reduction in the allowance, Member States may maintain the existing amount thereof.

DEROGATIONS GRANTED TO DENMARK CONCERNING TRAVELLERS' ALLOWANCES

The Council had received from the Commission a proposal amending the derogation granted to Denmark concerning the rules governing import allowances for travellers.

This proposal aims to grant a further two-year extension from 1 January 1989 of the derogation granted to Denmark, subject however to certain amendments. Thus for cigarettes allowances would rise from 60 to 80 and from 100 to 150 grams for smoking tobacco (fine cut). Denmark would moreover apply from 1 January 1989 the Community allowance of 5 liters for still wines (instead of 4 liters); on the other hand, nothing will change for alcoholic beverages with a strength of more than 22% vol. (no allowance).

In addition, as from 1 January 1989, Denmark may exclude from the general allowance only goods whose unit value is in excess of 340 ECU instead of 280 ECU hitherto.

Pending the European Parliament's Opinion the Council responded favourably to this derogation as amended.

PRESENTATION OF THE NCI V PROPOSAL

The Council heard a statement by Commissioner MATUTES, putting forward the Commission proposal empowering it to borrow under the New Community instrument to stabilize the level of debt outstanding for the purpose of promoting investment within the Community by SMEs. The Council instructed the Permanent Representatives Committee to prepare its discussions on this matter.

OTHER ECO/FIN DECISIONMajor holdings in a listed company

As a result of the substantive agreement reached on 11 July 1988 on a common position, formalized on 23 August 1988 and following the European Parliament's approval of the common position on 26 October 1988, the Council adopted a Directive on the information to be published when a major holding in a listed company is acquired or disposed of (see Press Release 7604/88 Presse 113 of the ECO/FIN Council of 11.VII.88).

MISCELLANEOUS DECISIONSRelations with Austria - wine

The Council adopted two Decisions on the conclusion of

- a new Agreement between the Community and the Republic of Austria on the control and protection, in particular against unfair competition in trade, of certain quality wines bearing a geographical ascription, originating in the territory of the other Contracting Party;
- an Agreement in the form of an Exchange of Letters between the Community and the Republic of Austria on the reciprocal establishment of tariff quotas for certain quality wines (basically 85 000 hl of quality wines and 2 000 hl of quality sparkling wines at zero duty on a reciprocal basis).

Anti-dumping

The Council adopted a Regulation imposing a definitive anti-dumping duty on imports of polyester yarn originating in Mexico, South Korea, Taiwan and Turkey.

This Regulation imposes a definitive anti-dumping duty on imports of partially oriented, non-textured polyester yarn (POY) originating in Mexico (15,8% of the net, free-at-frontier price of the product not cleared through customs), Taiwan (8,7%), and Turkey (2,7%). For the first two years certain firms' imports are exempt from duty.

The Regulation also imposes a definitive anti-dumping duty on imports of textured polyester yarn (PTY) from South Korea (8,1%), Mexico (26,7%), Taiwan (6,2%) and Turkey (13,2%). For all four countries, certain firms' imports are subject to duties set at lower than the abovementioned duties.

The Council also adopted a Regulation imposing a definitive anti-dumping duty on imports of paracetamol originating in the People's Republic of China and making permanent the provisional duty levied on these imports (the amount is equal either to the difference between the net price per kilogram and 5 ECU, or to 15% of this net, free-at-frontier price per kilogram, not cleared through customs, whichever is the higher).

Note BIO(88) 394 aux bureaux nationaux
cc. aux membres du Service du Porte-Parole

Préparation Conseil ECO/FIN du 12 décembre 1988
(H. Lohan / E. Reuter)

433

Le Conseil débutera à 12 H 00.

Rapport économique annuel 1988/89

Le Conseil procédera à un examen de la situation économique de la Communauté sur base du rapport économique annuel 1988/89. Il fixera les orientations à suivre par les Etats membres dans leur politique économique pour 1989.

NIC V

La Commission présentera sa proposition sur la cinquième action du Nouvel Instrument Communautaire qui maintient l'objectif général de contribuer au financement des investissements des PME en mettant l'accent sur deux aspects nouveaux : la diversification des économies rurales et la protection de l'environnement et les technologies nouvelles et leur application. Selon cette proposition, la Commission serait autorisée à contracter de nouveaux emprunts sur les marchés de capitaux dans la mesure du remboursement des anciens emprunts sous un plafond déterminé par la somme des emprunts NIC en cours (5 865 millions ECU).

Abolition des frontières fiscales

Lord Cockfield communiquera aux ministres ses impressions à la fin des consultations bilatérales qu'il vient d'entreprendre, suite à la réunion informelle qui s'était tenue en Crète, en vue de dégager les bases pour affiner les propositions de la Commission en matière de rapprochement des taux de fiscalité indirecte. L'échange de vue avec les ministres permettra éventuellement de dégager des orientations sur la procédure et la substance des travaux futurs. Lord Cockfield ne manquera pas de souligner le caractère incontournable du projet de la Commission en tant que clé pour le grand marché sans frontières intérieures.

Directive "fonds propres"

Il s'agit de trouver des solutions aux difficultés qui bloquent encore l'adoption d'une directive proposée par la Commission en 1986 concernant les fonds propres des établissements de crédit. Cette législation représente une pièce essentielle dans la charpente de l'espace financier européen. Les questions en suspens concernent le traitement des réserves de réévaluation, les fonds pour risques bancaires généraux et la définition des engagements de membres de coopératives. L'adoption d'une position commune paraît possible dans la mesure où les ministres pourront régler certaines questions techniques y compris le problème des compétences d'exécution.

Prospectus pour l'émission de valeurs mobilières

Après le dernier Conseil les représentants permanents avaient été chargés de clarifier un certain nombre de questions techniques y compris l'exclusion des eurobonds de la directive. On s'attend à ce que le Conseil soit en mesure d'adopter une position commune.

Enfin, le Conseil devrait évoquer les questions de franchises pour voyageurs intra-communautaires et accorder une dérogation au Danemark dans le domaine des franchises de voyageurs.

Matériel distribué au rendez-vous de midi :

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- IP 775 - Programme prévisionnel Acier - premier trimestre 1989
 - IP 789 - Création d'un fonds européen de soutien au développement de scénarios
 - IP 793 - Aide d'urgence en faveur de la Thaïlande
 - IP 794 - Southern Africa Development Coordination Conference visited the Community
 - IP 795 - Fonctionnaires espagnols et portugais en service à la Commission
 - IP 796 - Séminaire européen pour lancer IRIS
 - IP 797 - Visite à la Commission du Vice-Président de Bolivie
 - MEMO 156/4-5 - Suite et fin de la réunion ministérielle du GATT à Montréal
 - IP 798 - Aide d'urgence en faveur des populations victimes du tremblement de terre en Arménie.

Amitiés,

P. J. Ehlermann

C.D. EHLERMANN

Bruxelles, le 12 décembre 1988.

NOTE BIO(88) 394 (suite 1) AUX BUREAUX NATIONAUX
CC. AUX MEMBRES DU SERVICE DU PORTE-PAROLE

Conseil Eco-Fin du 12 décembre 1988 (E. REUTER).

After a short discussion before lunch and some bilateral consultations over lunch, the Council adopted a regulation on the system of own resources and arrangements for the collection of VAT own resources. Points at issue concerned the exchange rate to be used for monthly VAT and fourth resource payments as well as the time limits for these payments. In a general endeavour of good will, the Council agreed a compromise formula.

The Council also adopted as an a) point the directive on the information to be published when a major holding in a listed company is acquired or disposed of. The Council recorded common positions on the directive on own funds and on the directive of the prospectus to be published for the issue of transferable securities. The Council agreed to grant Denmark further derogations concerning travellers allowances and updated the tax allowances for travellers and small consignments within the Community.

Lord Cockfield reported to the Council on his bilateral consultations with Member States on the approximation of indirect taxation following the Informal Eco-Fin in Crete. Lord Cockfield described the general impressions he had formed from these contacts and made a number of procedural suggestions. He stressed that he had found general agreement that the present spread of indirect taxes, both VAT and excise duties, is too wide to enable a single market without internal frontiers to operate without unacceptable distortions. Tax rates must therefore come closer together. There was also wide spread agreement that the system should be based on two rates, a standard rate for most supplies and a lower rate for basic necessities. Lord Cockfield noted that a number of Member States held the view that the standard rate band should be narrower than the Commission had proposed (14 to 20 %). Some had proposed the idea of a high minimum rate, e.g. 17 % and no upper limit. Lord Cockfield said that the figures of the levels and the degree of flexibility could only be resolved by negotiations between the Members of the Council.

As to the lower rates, it appeared that greater definition might be needed for the categories of goods and services to which these should apply. Indeed some Member States wished to add to the list, others wished to delete from it.

The clearing system as proposed by the Commission had attracted plenty of criticism. A considerable degree of scepticism existed among Member States and it was only right that the Commission should make a further effort to dispell the myths which were beginning to attach to the system.

As to derogations, there was a clear pattern of opinion that derogations might have to be considered for particular cases of difficulty. Although most Member States had spoken in favour of derogations limited in time, there had been considerable political sympathy for zero rates and transitional arrangements allowing for maintaining several rates by those Member States who had multiple rates at present.

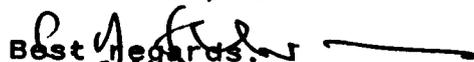
Excise duties presented the greatest problem. This could be contained in the case of registered traders who were operating in bond but there was a significant degree about private cross border shopping induced by the wide disparity of excise duty rates. The real difficulty was that if frontiers were dismantled, Member States with the highest rates would suffer unjustifiably. Therefore, an effort had to be made both by high tax countries and low tax countries. Other policy considerations such as health consequences of smoking and drinking or the implications for industrial and energy policies of mineral oils taxation also played a part.

Lord Cockfield made four procedural proposals. COREPER should study VAT rates and rate bands and make recommendations. A Council working group should consider the categories to be included in the lower rate band. They would also look into the question of derogations. A Commission working party with a participation of national experts should examine the clearing system in detail. COREPER should prepare the discussion of what degree of flexibility could be contemplated in the case of excises without jeopardizing the objective of the abolition of frontiers and frontier controls by 1992.

Lord Cockfield report was followed by a "tour de table" during which the word flexibility loomed large. The four procedural suggestions were entrusted to COREPER with a view to organizing work under the Spanish Presidency. Mr BEREGOVY spoke of a link between the VAT dossier and the fiscal treatment issue within the liberalization of capital movements. He appeared to refer to a political link rather than a legal link and was immediately challenged by the British, German, Dutch, Luxembourg Ministers as well as the President. Mr LAWSON argued that a radical rethink was called for for excises and said that the proposal he had made in Crete was still on the table.

At the end of the meeting, Lord Cockfield received a "five minute sitting ovation" for his role in advancing the cause of the internal market in the past four years.

The Council also dealt with the annual economic report and the Commission proposal for NIC V (see separate note). The Council rose at 6 p.m.


Best regards,
C. D. EHLERMANN