



**COUNCIL OF  
THE EUROPEAN UNION**



13017/04 (Presse 284)

**PRESS RELEASE**

2612th Council Meeting

**Economic and Financial Affairs**

Luxembourg, 21 October 2004

President

**Gerrit ZALM**

Deputy Prime Minister and Minister for Finance of  
the Netherlands

**P R E S S**

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13017/04 (Presse 284)

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## **Main Results of the Council**

*The Council adopted conclusions on budgetary data provided by **Greece** and on the **administrative burden on businesses**, and discussed budget flexibility under the EU's **financial framework** for the period 2007-13. It also reviewed measures taken by the **Netherlands** in response to the Recommendation it issued in June under the EU's excessive deficit procedure.*

*The Council adopted common positions on Europass, a single European portfolio of documents for job seekers and training seekers, as well as on a draft Decision extending the European Capital of Culture initiative in order to enable cities in the new Member States to participate as from 2009.*

*It also approved a mandate to the Commission to negotiate a fisheries agreement with Libya and gave the go-ahead for the opening of negotiations on use by Andorra of euro banknotes and coins.*

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- The documents whose references are given in the text are available on the Council's Internet site <http://ue.eu.int>.
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the abovementioned Council Internet site or may be obtained from the Press Office.

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## **PARTICIPANTS**

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

**Belgium:**

Mr Jan DE BOCK

Permanent Representative

**Czech Republic:**

Mr Bohuslav SOBOTKA

Deputy Prime Minister and Minister for Finance

**Denmark:**

Mr Thor PEDERSEN

Minister for Finance

**Germany:**

Mr Hans EICHEL

Federal Minister for Finance

**Estonia:**

Mr Taavi VESKIMÄGI

Minister for Finance

**Greece:**

Mr Georgios ALOGOSKOUFIS

Minister for Economic Affairs and Finance

**Spain:**

Mr Pedro SOLBES MIRA

Second Deputy Prime Minister and Minister for Economic Affairs and Finance

**France:**

Mr Pierre SELLAL

Permanent Representative

**Ireland:**

Mr Brian COWEN

Minister for Finance

**Italy:**

Mr Domenico SINISCALCO

Minister for Economic Affairs and Finance

**Cyprus:**

Mr Iacovos KERAVNOS

Minister for Finance

**Latvia:**

Mr Oskars SPURDZIŅŠ

Minister for Finance

**Lithuania:**

Mr Algirdas BUTKEVIČIUS

Minister for Finance

**Luxembourg:**

Mr Jean-Claude JUNCKER

Prime Minister, Ministre d'Etat, Minister for Finance

**Hungary:**

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Political State Secretary, Ministry of Finance

**Malta:**

Mr Tonio FENECH

Parliamentary Secretary, Ministry of Finance

**Netherlands:**

Mr Gerrit ZALM

Deputy Prime Minister, Minister for Finance

**Austria:**

Mr Karl-Heinz GRASSER

Federal Minister for Finance

**Poland:**

Mr Miroslaw GRONICKI

Minister for Finance

**Portugal:**

Mr António BAGÃO FÉLIX

Minister for Finance and Public Administration

**Slovenia:**

Mr Dušan MRAMOR

Minister for Finance

**Slovakia:**

Mr Vladimír TVAROŠKA

State Secretary at the Ministry of Finance

**Finland:**

Mr Antti KALLIOMÄKI

Deputy Prime Minister, Minister for Finance

**Sweden:**

Mr Gunnar LUND

Minister at the Ministry of Finance, with responsibility for Economic Affairs and Financial Markets

**United Kingdom:**

Mr Jon CUNLIFFE

Managing Director, Macroeconomic Policy and International Finance, HM Treasury

**Commission:**

Mr Romano PRODI

President

Mr Joaquín ALMUNIA AMANN

Member

Ms Michaele SCHREYER

Member

**Other participants:**

Mr Pierre VAN DER HAEGEN

Director General at the European Central Bank

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Caio KOCH-WESER

Chairman of the Economic and Financial Committee

Mr Jan Willem OOSTERWIJK

Chairman of the Economic Policy Committee

## **ITEMS DEBATED**

### **STABILITY AND GROWTH PACT**

#### ***– Excessive deficit procedure for the Netherlands***

The Council reviewed measures taken by the Netherlands following the Recommendation it issued under the EU's excessive deficit procedure. On the basis of a statement by Commissioner Joaquín Almunia, it noted with satisfaction that, at present, the action taken by the Dutch authorities in response to the Council's Recommendation of 2 June appeared sufficient to put an end to the present excessive deficit situation in the Netherlands by 2005.

In its Recommendation, the Council set a deadline of 2 October for the Netherlands to decide on measures to correct the excessive deficit observed last year. It called on the Netherlands to put an end to the excessive deficit by 2005 at the latest, and to ensure that budgetary consolidation towards a position close to balance or in surplus is sustained, even after the excessive deficit is corrected.

In June, the Council noted that the deficit amounted to 3.2% of Gross Domestic Product in 2003, thereby exceeding the maximum reference value of 3% prescribed in the Treaty. Measures taken by the Netherlands to remedy that situation aim at a deficit of 2.6% of GDP in 2005. Continued consolidation is planned for subsequent years, with projected deficits of 2.1% in 2006 and 1.9% in 2007.

Although the Commission has not yet published its autumn forecasts and cannot confirm whether it agrees with those projections, Commissioner Joaquín Almunia indicated satisfaction with both the measures taken and the path for deficit reduction.

#### ***– Fiscal notifications by the Member States and budgetary data provided by Greece***

The Council was briefed by the Commission on last month's fiscal notifications by the Member States and adopted the following conclusions on budgetary data provided by Greece.

"The Council conducted a thorough discussion on the revisions of Greek fiscal data. It recalled the concerns expressed by Ministers during their informal meeting on 10 and 11 September. The Ecofin Council took note of the Commission's information note on the fiscal notification data of Greece.

The Council welcomed the Commission's initiative and looked forward to a detailed report on Greece's deficit and debt data back to 1997 to be presented after examination by the EFC as soon as possible. The Council acknowledged the willingness and efforts of the Greek authorities to work with the Commission to clarify issues and urged them to supply all necessary data to finalise the report before the next meeting of the Ecofin Council. On this basis, it will be possible for the Council and the Commission as well as the Greek Government to draw the necessary consequences each in its domain, to improve the quality of budgetary data as a matter of priority in order to avoid future problems. Revisions of budgetary data, similar to those that have now been detected in the case of Greece, must not occur again in the Community."

**ENTERPRISE - ADMINISTRATIVE BURDEN ON BUSINESSES**

The Council discussed the potential burden on businesses of compliance with legislation and regulations and adopted the following conclusions.

"The Council supports the development of a common European methodology to measure the administrative burden of EU legislation and regulation, as one of the elements for use in microeconomic assessment of specific new initiatives or for simplification of existing legislation and in order to improve the evaluation of policy decisions and results. Ministers agreed that a common European methodology should be based, inter alia, on the recommendations by the EPC and that the method could be similar, but not necessarily identical, to the Standard Cost Model (SCM), depending on the results of future pilot projects.

The Council (ECOFIN) welcomes the intention of the Commission to present shortly a communication on this issue. It invites the Commission to continue the development of a common methodology, among others by setting up pilot projects to determine the technical characteristics of the methodology and its application both in ex ante and ex post cases. The pilot phase and the successful application of a method in the EU will require active collaboration by the Member States. Ministers agreed to assist the Commission by providing, on request, the necessary information to carry out assessments. The Council invites the Commission to present and implement a common European methodology for the measurement of Administrative Burdens as soon as possible in 2005, after completion of the pilot phase. It also invites the Commission and the member states to consider developing quantitative objectives for the reduction of the administrative burden on business in selected areas at a later stage.

The Council (ECOFIN) will return to the topic of regulation, in particular the issue of competitiveness testing, later in the year. The Council considers it important that the 2005 Spring European Council should return to this topic in the context of the Lisbon Mid-Term Review."

## **COMBATING FRAUD**

The Council took note of the Commission's presentation of the following:

- the 2003 annual report on protection of the EU's financial interests in the fight against fraud;
- a proposal for an anti-fraud action plan for 2004 and 2005;
- a proposal for a Regulation on mutual assistance in the protection of the EU's financial interests.

The Council was also briefed by the Commission on the conclusion and ratification of the EU's anti-fraud agreement with Switzerland and on a twelve-year anti-contraband agreement reached by the Commission and ten Member States with Philip Morris International.

The report assesses implementation of the 2001-03 action plan and the follow-up to the Court of Auditors' 2002 annual report on fraud, and gives an overview of anti-fraud measures taken by the Member States during 2003.

The proposed Regulation is aimed at ensuring that the Member States and the Commission assist each other and exchange information as regards use of the proceeds of EU fraud, VAT fraud and other illegal activities detrimental to the EU's financial interests.

## **EU FINANCIAL FRAMEWORK FOR 2007-13**

The Council held an exchange of views on budget flexibility under the EU's financial framework for the period 2007-13. It took note of the Commission's presentation of proposals aimed at modifying the EU's system of own resources as well as the mechanism for correcting budgetary imbalances under the new financial framework.

The exchange of views focused on the Commission's proposals for the creation of a Growth Adjustment Fund in support of the EU's economic reform strategy and for changes to budget structure aimed at enabling the EU to respond to future needs. The changes are part of a proposed new agreement between the EU's institutions on budget management and budgetary procedures.

Delegations agreed on the usefulness of the current Inter-Institutional Agreement (IIA) in ensuring a well-functioning annual budgetary procedure. They agreed that questions relating to flexibility cannot be dissociated from the principles of budgetary discipline and should be seen in the context of an overall agreement on the new financial framework.

The Presidency's aim, in accordance with the timeframe envisaged in the Council's multi-annual strategic programme, is to make it possible for the European Council to reach decisions at its meeting on 17 December on principles and guidelines in respect of the financial framework. The agreed principles and guidelines will serve as a framework for further work aimed at achieving political agreement next year.

Renewal of the IIA will be the final element in an agreement on the financial framework and will therefore only be finalised at the end of the negotiations. Work on the IIA will, however, contribute to preparation of the decisions to be taken by the European Council in December.

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Over lunch, Ministers were informed of the outcome of the Eurogroup meeting held on 20 October. They discussed the EU's financial framework for the period 2007-13 and met Mr James D. Wolfensohn, President of the World Bank.

## **OTHER ITEMS APPROVED**

### **ECONOMIC AND FINANCIAL AFFAIRS**

#### **Agreement with Andorra - Monetary matters**

The Council adopted a Decision on the opening of negotiations on an agreement with Andorra concerning the use of euro banknotes and coins by Andorra, the legal status of the euro in the Principality and access to euro area payment systems (13278/04).

The Commission will conduct the negotiations on behalf of the Community; Spain and France, as neighbouring countries, and the European Central Bank being fully associated.

Negotiations will be suspended if Andorra has not ratified the agreement on the taxation of income from savings by 30 April 2005.

#### **Report on the follow up of the Risk Capital Action Plan**

The Council adopted the following conclusions:

"The Council welcomes the report of the FSC and emphasises the vital role of risk capital markets for providing equity financing to high-growth small and medium-sized companies, and thus for job creation and the development of a vibrant entrepreneurial culture in the EU. Efficient risk capital markets are a key contribution to a competitive, innovative, dynamic EU economy in accordance with the Lisbon strategy.

The Council recognises that further work is needed, by the Commission and Member States as appropriate, to address the complex and multidisciplinary nature of risk capital markets. Their interaction with a diverse array of policies (regarding e.g. R&D and innovation, encouragement of entrepreneurship, fostering an SME-friendly environment, social and regional policy, competition issues, taxation, employment, Community financial instruments) should be properly taken into account.

In particular, the Council:

- welcomes the Commission's plans of continuing to closely follow developments in the European risk capital market, identifying discrepancies and carrying out further analysis of aspects of the market where inefficiencies remain; this should cover the whole financial chain, from seed investment to exit mechanisms. Opportunities for exit are greatly enhanced if there are well-functioning and liquid European-wide capital markets. In this respect, the full implementation of the FSAP and its continuation in the future are crucial;

- encourages enhanced co-operation between all services and institutions concerned at Community/National/Regional levels; therefore, recommends that further efforts are made, *inter alia* by means of a consistent approach at Member States level, to address existing failures and barriers to the development of risk capital markets, on both the supply and demand sides, including by the sharing of best practices;
- finds that the impact of European legislation on risk capital markets should be properly taken into account when improving and simplifying the regulatory framework. Noting differences between various Directives currently in force as to the restrictions posed on investments by institutional investors, the Council invites the Commission to evaluate the effects of the current rules for investing in private equity/venture capital in the Life Assurance Directive and to take into account the possibilities for investing in venture capital in the review of the UCITS Directive, which is foreseen in the Directive for 2005;
- welcomes the intention of the Commission to review state-aid policy for risk capital;
- finds that the new EU framework of capital adequacy rules implementing the Basel II accord should appropriately take into account the EU lower risk-profile specificity of risk-capital investments via sufficiently diversified portfolios and stresses that it shall give special consideration to this factor in the legislative process leading to the new Capital Adequacy Framework."

#### **VAT - Motor vehicle trade - United Kingdom**

The Council adopted a Decision to authorise the United Kingdom to make an exemption on turnover taxes, in order to prevent the avoidance of value added tax through the undervaluation of supplies in motor vehicle trade (12667/04).

This Decision allows the UK, in the case of a supply of services consisting in the use of a motor car where the supplier and the recipient are connected persons in the motor trade, to treat the open market value of that supply as the taxable amount.

#### **Tax on toll for the Gran San Bernardo tunnel - Italy and Switzerland**

The Council adopted a Decision authorising Italy to make an exception from value-added tax (VAT) Directive 77/388/EEC, allowing Italy to conclude an agreement with Switzerland with a view to not imposing VAT on tolls for the Gran San Bernardo tunnel (12670/04).

As Switzerland does not apply VAT or any similar tax on the toll and cannot be obliged to apply and collect Italian VAT on tolls for the Gran San Bernardo tunnel, which has led to a difference in user costs and distorted competition in season-ticket sales as tickets are cheaper in Switzerland.

The authorisation is granted on condition that every year Italy estimates the amount of losses in VAT and adds an equivalent amount to the VAT base which is used for the establishment of its contributions to the Community's own resources.

### **Taxation of doorstep sales - Portugal**

The Council adopted a Decision authorising Portugal to apply a special measure for the taxation of doorstep sales until 31 December 2009 (12955/04).

The derogation from value-added tax (VAT) Directive 77/388/EEC is a simplification measure enabling firms engaged in doorstep selling to pay the VAT due on the prices of the products the resellers sell to their customers on behalf of their resellers. The exception will apply only to cases where the firm sells its products direct to resellers who, in turn, sell direct to final consumers.

## **ENLARGEMENT**

### **Bulgaria and Romania - Financial aid for environment and transport networks**

The Council adopted a Decision reallocating available resources, under the Instrument for Structural Policies for Pre-accession (ISPA), among the remaining beneficiary countries, namely Bulgaria and Romania (12428/04).

## **FISHERIES**

### **Agreement with Cape Verde**

The Council adopted a Regulation on the conclusion of an Agreement in the form of an Exchange of Letters concerning an extension of the Protocol setting out fishing opportunities and financial contribution provided for in the Agreement between the European Economic Community and the Republic of Cape Verde on fishing off the coast of Cape Verde for the period 1 July 2004 to 30 June 2005 (12362/04, 12357/04).

Fishing opportunities are granted to French, Spanish, and Portuguese vessels, as regards tuna seiners, pole and line tuna vessels and surface longliners. The financial compensation to be paid by the European Community is € 680 000 a year.

### **Agreement with Mauritius**

The Council adopted a Regulation on the conclusion of a Protocol defining, for the period 3 December 2003 to 2 December 2007, the fishing opportunities and the financial compensation provided for by an Agreement between the European Economic Community and the Government of Mauritius on fishing in Mauritian waters (*12395/04, 12391/04*).

Fishing opportunities are granted to French, Spanish, Italian, Portuguese and United Kingdom vessels, as regards tuna seiners and surface longliners. The financial compensation to be paid by the European Community is € 487 500 a year.

### **Partnership Agreement with Libya**

The Council adopted a Decision authorising the Commission to open negotiations with Libya on a Fisheries Partnership Agreement.

## **EDUCATION**

### **Europass**

The Council adopted a common position on a draft European Parliament and Council Decision establishing "Europass", a single European portfolio of the documents (including the European CV) reflecting the qualifications and competences of job and training seekers (*12242/04*).

The draft Decision aims at improving mutual recognition of diplomas and qualifications, thus contributing to enhancement of mobility within the European labour market.

The common position will be sent to the European Parliament for a second reading.

## **CULTURE**

### **European Capital of Culture**

The Council adopted a common position on a draft Decision of the European Parliament and of the Council adapting the Decision on the European Capital of Culture (1419/1999/EC<sup>1</sup>), in order to enable the new Member States to take part in the event from 2009 (12029/04).

The common position will be sent to the European Parliament for a second reading.

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<sup>1</sup> OJ L 166, 1.7.1999, p.1.