



**COUNCIL OF
THE EUROPEAN UNION**



5283/05 (Presse 6)

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2634th Council meeting

Economic and Financial Affairs

Brussels, 18 January 2005

President

Jean-Claude JUNCKER

Prime Minister, Ministre d'Etat, Minister for Finance of
Luxembourg

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Main results of the Council

The Council agreed, in the light of an analysis carried out by the Commission, that additional initiatives vis-à-vis **Germany** and **France** under the excessive deficit procedure were not necessary at this stage.

It adopted decisions establishing that effective action had not been taken by **Greece** and **Hungary** in response to its recommendations for the correction of their excessive deficits. However, it welcomed the commitments made by Greece regarding the implementation of its budget for 2005 and Hungary's adherence to its commitment to correct its excessive deficit by 2008.

The Council also continued reviewing the **Stability and Growth Pact** – keeping to the objective of reaching an agreement by the European Council in March – and the economic consequences of the **tsunami in South Asia**.

Furthermore, it approved an agreement with the Commission and the Parliament on the extension to the field of banking, insurance and occupational pensions of the activities of the Monitoring Group responsible for assessing the implementation of the **Lamfalussy process** aiming for better regulation of financial services.

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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 Didier REYNDERS

Deputy Prime Minister and Minister for Finance

Czech Republic:

Mr Bohuslav SOBOTKA

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 N. KERAVNOS

Minister for Finance

Latvia:

Mr Oskars SPURDZIŅŠ

Minister for Finance

Lithuania:

Mr Algirdas BUTKEVIČIUS

Minister for Finance

Luxembourg:

Mr Jean-Claude JUNCKER

Mr Jeannot KRECKÉ

Prime Minister, Ministre d'Etat, Minister for Finance
Minister for Economic Affairs and Foreign Trade,
Minister for Sport

Hungary:

Mr Tibor DRASKOVICS

Minister for Finance

Malta:

Mr Lawrence GONZI

Prime Minister and Minister for Finance

Netherlands:

Mr Gerrit ZALM

Deputy Prime Minister, Minister for Finance

Austria:

Mr Karl-Heinz GRASSER

Federal Minister for Finance

Poland:

Mr Mirosław GRONICKI

Minister for Finance

Portugal:

Mr António BAGÃO FELIX

Minister for Finance and Public Administration

Slovenia:

Mr Andrej BAJUK

Minister for Finance

Slovakia:

Mr Vladimír TVAROŠKA

State Secretary, Ministry of Finance

Finland:

Mr Antti KALLIOMÄKI

Deputy Prime Minister and Minister for Finance

Sweden:

Mr Pär NUDER

Minister for Finance

United Kingdom:

Mr Gordon BROWN

Chancellor of the Exchequer

.....

Commission:

Mr José Manuel BARROSO

President

Mr Joaquín ALMUNIA

Member

.....

Other participants:

Mr Pierre VAN DER HAEGEN

Director General, 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

President of the Economic Policy Committee

ITEMS DEBATED

WORK PROGRAMME

The Luxembourg Presidency presented its work programme on economic and financial affairs (5149/05) and the Commission presented the broad outline of the work programme it planned to adopt on 26 January.

In an improving yet uncertain economic and financial context, Luxembourg intends, during its six-month Presidency, to contribute to restoring confidence among economic agents, in order to boost internal demand and to improve further the external competitiveness of European enterprises.

The priorities of the Presidency are as follows:

- Clarify the implementation of the Stability and Growth Pact;
- Mid-term review of the economic reform process established at Lisbon in March 2000;
- Financial framework of the EU budget for the period 2007-13;
- Competitiveness and growth;
- The legislative simplification initiative on "*better regulation*";
- Financial services;
- Combating money laundering and terrorist financing;
- Taxation.

TSUNAMI IN SOUTH ASIA – ECONOMIC CONSEQUENCES

The Council took stock of the economic consequences of the earthquake and tsunami which had occurred on 26 December in South Asia and in the Indian Ocean, and on the different aid measures planned by the EU and the Member States.

In particular it discussed the possibility of the European Investment Bank (EIB) making a contribution towards reconstruction in the areas affected.

The discussion followed an extraordinary meeting held on 7 January on the disaster by the General Affairs and External Relations Council, and several international meetings, in particular the Donors' Conference on 11 January in Geneva.

The Council expressed its satisfaction at the initiative concerning the EIB and called on the EIB and the Commission to continue work on preparing its contribution. It agreed to return to the subject, and to examine a Commission proposal at the time of its submission.

EXCESSIVE DEFICIT PROCEDURE

Germany

The Council took note of a communication from the Commission which concluded that no additional action vis-à-vis Germany was currently necessary under the excessive deficit procedure. The President of the Council concluded the discussion as follows:

"The Council took note of the Commission's communication on "the situation in Germany and France in relation to their obligations under the EDP following the judgement of the European Court of Justice", which comes to the conclusion that action taken by the German authorities is broadly consistent with a correction of the excessive deficit by 2005.

It agreed with the Commission's conclusion that no further steps under the EDP are necessary at this stage. Germany has re-affirmed its commitment to take all necessary measures to bring its deficit below 3% of GDP in 2005 and to keep it below 3% in 2006. The Commission will continue to monitor compliance with these commitments. The Council, in cooperation with Commission, stands ready to take steps under the EDP, as appropriate."

France

The Council took note of a communication from the Commission which concluded that no additional action vis-à-vis France was currently necessary under the excessive deficit procedure. The President of the Council concluded the discussion as follows:

"The Council took note of the Commission's communication on "the situation in Germany and France in relation to their obligations under the EDP following the judgement of the European Court of Justice", which comes to the conclusion that action taken by the French authorities is broadly consistent with a correction of the excessive deficit by 2005.

It agreed with the Commission's conclusion that no further steps under the EDP are necessary at this stage. France has re-affirmed its commitment to take all necessary measures to bring its deficit below 3% of GDP in 2005 and to keep it below 3% in 2006. The Commission will continue to monitor compliance with these commitments. The Council, in cooperation with Commission, stands ready to take steps under the EDP, as appropriate."

Greece

The Council adopted a Decision establishing that effective action had not been taken by Greece in response to its recommendation under the excessive deficit procedure (Article 104(8) of the Treaty). It adopted the following conclusions:

"The Council reviewed measures taken by Greece following the Recommendation it issued on 5 July 2004 under the EU's excessive deficit procedure. The Council acknowledged that the Greek government implemented measures in 2004 aimed at curbing the rising deficit and that the 2005 budget projects measures leading to a significant budgetary adjustment. However, in spite of this, the Council, under Article 104(8) and following the recommendation by the Commission of 22 December 2004, decided that Greece is not in compliance with the Article 104(7) Council recommendations issued on 5 July 2004. This is partly due to the statistical revisions, carried out in cooperation with Eurostat to correctly apply the ESA 95 statistical system, and to expenditure overruns associated with the organisation of the Olympic Games, as well as to overruns in some other spending items and shortfalls in certain revenue items, which had not been correctly estimated in the 2004 budget. In addition, the Council considered that, given the high deficit outturn in 2004 and other budgetary risks, the excessive deficit may persist in 2005.

The Council welcomes the commitment by Greece to implement with the utmost rigour the 2005 budget. The Council also took note that the budgetary consolidation measures undertaken by the Greek government should secure a lasting improvement in the general government balance. It also notes with satisfaction that the Greek government is committed to pursue fiscal consolidation in order to reach the goal of a close to balance or in surplus position in the medium term."

– *Hungary*

The Council adopted a Decision establishing that effective action had not been taken by Hungary in response to its recommendation under the excessive deficit procedure (Article 104(8) of the Treaty). It adopted the following conclusions:

"The Council reviewed measures taken by Hungary following the Recommendation it issued on 5 July 2004 under the EU's excessive deficit procedure. In this Recommendation, the Council had invited the Hungarian authorities to put an end to the present excessive deficit situation as rapidly as possible and to take action in a medium term framework as foreseen in the Hungarian convergence programme of May 2004. It had also set a deadline of 5 November for Hungary to take effective action regarding the measures envisaged to achieve the 2005 deficit target (4,1% of GDP) and to stand ready to take additional measures with a view to achieving the deficit target of 4,6% of GDP in 2004.

The Council recognised that the Hungarian government adopted a number of additional measures. They were based on the expenditure side and have contributed to a significant decline in the budget deficit in 2004 compared to 2003 and a more favourable and sustainable reorientation of growth. It also noted that a number of further measures have been announced that are aimed at further reducing the deficit in 2005. However, it considered that the action in response to the Council Recommendation of 5 July 2004 was not sufficient to achieve the budget deficit targets 2004 and 2005, which are expected to be missed by a sizeable margin. Therefore they adopted a decision based on Article 104(8) following the recommendation by the Commission on 22 December.

The Council noted with satisfaction the continued commitment of the government to have the excessive deficit corrected by 2008 and underlined the need for further fiscal consolidation to achieve this goal. It is looking forward to examining shortly the new convergence programme of Hungary and a proposal of the Commission for a new Recommendation based on Article 104(7)."

– *Czech Republic, Cyprus, Malta, Poland and Slovakia*

The Council examined the measures taken by the Czech Republic, Cyprus, Malta, Poland and Slovakia following its recommendation under the excessive deficit procedure (Article 104(7) of the Treaty).

On the basis of a communication from the Commission, the Council noted with satisfaction that the measures taken by the authorities of the Member States in question following the Council's recommendation of 5 July 2004 appeared adequate to end, within the prescribed time limits, the current excessive deficit situation in those countries.

STABILITY AND CONVERGENCE PROGRAMMES**– *Czech Republic, Luxembourg, Netherlands, Austria and Sweden***

The Council adopted opinions on an initial series of stability and convergence programmes drawn up by the Member States for 2005, i.e. those of the Czech Republic, Luxembourg, the Netherlands, Austria and Sweden (15946/04, 15875/04, 15410/04, 15659/04, 15029/04).

REVIEW OF THE STABILITY AND GROWTH PACT

The Council debated the review of the Stability and Growth Pact and called on the Economic and Financial Committee (EFC) to continue work on certain aspects to allow for an agreement at the meetings of the Council meetings on 8 March and of the European Council on 22 and 23 March 2005.

After five years of implementation, the Pact is being reviewed in the light of a communication issued by the Commission in September 2004, assessing its role in the coordination of the Member States' economic policies. This review follows the Court of Justice's ruling on 13 July 2004 in Case C-27/04 (Commission v. Council) that clarified the respective roles of the Commission and the Council in application of the budgetary framework.

The Commission's communication examines how a review of the Stability and Growth Pact could respond to shortcomings observed in its implementation, through greater emphasis in recommendations on economic development and through increased focus on safeguarding the sustainability of public finances.

It assesses how the various instruments for governance could serve to enhance the contribution of budgetary policy to the EU's economic growth and to facilitate implementation of the economic reform strategy that the European Council set at Lisbon in March 2000. The communication also suggests possible improvements in enforcement of the budgetary framework.

The Council requested the EFC to continue work on the following issues in the light of the debate

- Consolidating the preventive part of the Pact;
- Improving implementation of the excessive deficit procedure (corrective part of the Pact);
- Improving governance.

PREPARATION FOR THE MARCH EUROPEAN COUNCIL

The Council adopted the following conclusions:

"The Council endorsed the Annual Report on structural reforms 2005, prepared by the Economic Policy Committee (EPC), and agreed to forward it as a contribution by the Ecofin Council to the Spring 2005 European Council. The report is based on extensive peer reviews on the implementation of structural reforms by the Member States in the preceding 12 months. The examinations confirmed that much more urgency is needed with implementation, even if overall there has been some progress with structural reforms over the past year. As regards the economic dimension of the Lisbon strategy, the EPC identified seven key areas pivotal for re-focusing on the core goals of the Lisbon strategy, i.e. higher growth and employment. Ministers wish to emphasise that particular attention should be given to increasing employment rates especially in the context of ageing populations, within the continuing need to increase growth by raising both employment and productivity. Ministers also agreed that if the implementation gap is to be closed, the governance of the Lisbon process should be strengthened."

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At lunch, the Ministers discussed debt relief for African countries and the possibility of new measures to finance cooperation with developing countries.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Financial services – Lamfalussy process

The Council approved an agreement with the Commission and the Parliament to extend to the areas of banking, insurance and occupational pensions the Mandate of the Interinstitutional Monitoring Group (5176/05).

The purpose of the Interinstitutional Monitoring Group is to assess the progress made in implementing the "Lamfalussy process" to secure better regulation for financial services (investment, banking and insurance). The Group will function at least until the end of 2007.

The Council had adopted conclusions on the extension of the Lamfalussy framework on 16 November 2004 (*consult Press Release 14429/04*).

ENLARGEMENT

Bulgaria and Romania – Information and consultation procedures

The Council approved arrangements for the implementation of the information and consultation procedure that will apply during the period between the formal conclusion of accession negotiations with Bulgaria and Romania and entry into force of the accession treaty ("interim period").

EXTERNAL RELATIONS

San Marino – Agreement on Cooperation and Customs Union – EU enlargement

The Council adopted a Decision approving the conclusion of a Protocol to the Agreement on Cooperation and Customs Union with San Marino to take into account the enlargement of the European Union in May 2004 (8637/04).

The Protocol will enable the ten new States to become parties to this Agreement, given that they were not yet members of the Union when it was signed in 1991.

INSTITUTIONAL AFFAIRS

EU Civil Service Tribunal

The Council adopted one Regulation and three Decisions on the implementation of the EU Civil Service Tribunal.

This follows on, by virtue of Decision 2004/752/EC of 2 November 2004, from the establishment of the Tribunal intended to improve the Community court system by settling European civil service disputes (*see press release, 12071/04*).

The acts adopted are:

- a Regulation determining the emoluments of the President, Members and Registrar of the Tribunal (*15742/04*);
- a Decision concerning the conditions governing the appointment of judges (*16250/04*);
- two *Decisions* concerning the operating rules of the Tribunal committee and the appointment of its members (*16251/04 and 16252/04*).

COMMERCIAL POLICY

EU/Switzerland Agreement – Enlargement

The Council adopted a Decision amending the concept of "originating products" and the methods of administrative cooperation under the EU-Switzerland Agreement in order to take account of the accession of ten new Member States to the EU (*11884/04*).

The text of the Decision establishes the Community position on the matter within the Joint Committee of the EU-Switzerland Agreement. It involves the addition of the new language versions, the administrative observations contained in the Agreement and some provisions intended to facilitate the transition process and guarantee legal certainty. The amendments apply as from the date of enlargement, i.e. 1 May 2004.

Anti-dumping – Korea and Taiwan – Polyethylene terephthalate

The Council adopted a Regulation amending Regulation No 2604/2000 on imports of polyethylene terephthalate originating in the Republic of Korea and Taiwan (16363/04).

Anti-dumping – Japan – Television cameras

The Council adopted a Regulation amending Regulation No 2042/2000 imposing a definitive anti-dumping duty on imports of television camera systems originating in Japan (5060/05).

FISHERIES**EU/Comoros Agreement**

The Council adopted a Regulation approving the Protocol setting out the fishing opportunities and financial contribution provided for in the Agreement with the Comoros Islands on fishing off the Comoros for the period from 28 February 2004 to 31 December 2004 (13975/04).

The fishing opportunities expressed in vessel numbers (tuna seiners and surface longliners) relate to Spain, France, Italy and Portugal. (*For the text of the Agreement, see 13981/04*).

TRANSPARENCY**Public access to documents**

The Council adopted replies to the following confirmatory applications:

No 30/c/01/04 (15767/04), with the Danish, Finnish and Swedish delegations voting against;

No 31/c/01/04 (15770/04);

No 32/c/04/04 (15934/04), with the Swedish delegation voting against;

No 33/c/01/04 (*15994/04*) and

No 35/c/01/04, application submitted by Mr Ferruccio PASTORE (*16263/04*).

The Council also adopted, by written procedure on 21 December 2004, replies to the following confirmatory applications:

No 28/c/01/04, application submitted by Mr David CRONIN (*14665/04*) and

No 29/c/01/04 (*14796/04*).
