13490/02 (Presse 333)

2460th Council meeting

- ECONOMIC AND FINANCIAL AFFAIRS -

Brussels, 5 November 2002

President : **Mr Thor PEDERSEN**

Minister for Finance of the Kingdom of Denmark

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- *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 above mentioned Council Internet site or may be obtained from the Press Office.*

ITEMS APPROVED WITHOUT DEBATE

ECOFIN

EXTERNAL RELATIONS

TRADE

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TRANSPARENCY

DECISIONS TAKEN UNDER THE CONCILIATION PROCEDURE

SOCIAL AFFAIRS

TRANSPORT

DECISION ADOPTED BY WRITTEN PROCEDURE

ECOFIN

PARTICIPANTS

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

Belgium:	
Mr Didier REYNDERS	Minister for Finance
Denmark:	
Mr Thor PEDERSEN	Minister for Finance
Mr Henrik FUGMANN	State Secretary to the Ministry for Finance
Germany:	
Mr Hans EICHEL	Federal Minister for Finance
Greece:	
Mr Nicos CHRISTODOULAKIS	Minister for the National Economy and Finance
Spain:	
Mr Luis de GUINDOS	State Secretary for Economy
Mr Juan COSTA CLIMENT	State Secretary for Trade and Tourism
France:	
Mr Francis MER	Minister for Economic Affairs, Finance and Industry
Ireland:	
Mr Charlie McCREEVY	Minister for Finance
Italy:	
Mr Giulio TREMONTI	Minister for the Economy and Finance
Luxembourg:	
Mr Jean-Claude JUNCKER	Prime Minister, Minister for Finance
Mr Henri GRETHEN	Minister for Economic Affairs
Netherlands:	
Mr Hans HOOGERVORST	Minister for Finance
Austria:	
Mr Karl-Heinz GRASSER	Federal Minister for Finance
Portugal:	
Ms Manuela FERREIRA LEITE	Ministra de Estado, Minister for Finance
Finland:	
Mr Sauli NIINISTÖ	Minister for Finance
Sweden:	
Mr Bosse RINGHOLM	Minister for Finance
United Kingdom:	
Mr Gordon BROWN	Chancellor of the Exchequer

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Commission:	
Mr Frits BOLKESTEIN	Member
Mr Pedro SOLBES	Member

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Other participants:	
Mr Philippe MAYSTADT	President of the European Investment Bank
Mr Jan Willem OOSTERWIJK	Chairman of the Economic Policy Committee
Mr Johnny ÅKERHOLM	Chairman of the Economic and Financial Committee
Mr Otmar ISSING	Member of the Executive Board of the European Central Bank
Mr Jaap WINTER	Chairman of the High Level Group of Company Law

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Participants of the candidate countries in the Ministerial Dialogue:

Bulgaria :	
Mr Milen VELTCHEV	Minister of Finance
Cyprus :	
Mr Takis KLERIDES	Minister of Finance
Czech Republic :	
Mr Bohuslav SOBOTKA	Minister of Finance
Mr Zdenek HRUBY	Deputy Minister of Finance
Estonia :	
Mr Madis ÜÜRIKE	Adviser, Ministry of Finance
Hungary :	
Mr Csaba LASZLO	Minister of Finance
Latvia :	
Ms Valentina ANDREJEVA	State Secretary, Ministry of Finance
Lithuania :	
Ms Dalia GRYBAUSKAITE	Minister of Finance
Malta :	
Mr John DALLI	Minister of Finance
Poland :	
Mr Grzegorz W. KOLODKO	Minister of Finance
Romania :	
Mr Enache JIRU	Secretary of State, Ministry of Public Finances
Slovak Republic :	
Mr Vladimir TVAROSKA	State Secretary, Ministry of Finance
Slovenia :	
Mr Anton ROP	Minister of Finance
Turkey :	
Mr Sûmer ORAL	Minister of Finance

ITEMS DEBATED

FINANCIAL SERVICES

– *Directive on Prospectuses*

The Council reached by qualified majority a political agreement on a common position for a draft Directive on the prospectus to be published when securities are offered to the public or admitted to trading.

As regards the question of the definition of the home Member State for EU issuers of securities, the Council agreed that for bonds with a denomination below 5 000 euros and for equity, the home Member State is where the issuer is located; for bonds with a higher denomination and for a number of other instruments of a non-equity nature, the issuer may choose as its home Member State either the Member State where the issuer is located or the Member State where the securities are admitted to trading or offered to the public.

In respect of the possibility to delegate or outsource some specific tasks by a competent authority, the Council decided that Member States may allow their competent authority to delegate tasks, but this shall be made in a specific manner stating the tasks to be undertaken and the conditions under which they should be carried out. Any delegation of tasks related to the obligations will end five years after the entry into force of the Directive, except for the delegation of the publication on the internet of prospectuses.

According to the Directive, public offers of securities or admission of securities to trading on a regulated market trigger the obligation to draw up a prospectus to ensure that the public is properly informed. The main goal of this Directive is to create a true European passport for issuers by giving Community-wide validity to the prospectus approved by the issuer's home Member State supervisor.

The Directive will lay down rules for the drawing up of the prospectus, arrangements for the approval and publication of the prospectus, multinational offerings and admission to trading, issuers incorporated in third countries as well as the competent authorities and their powers.

The Council invited the Permanent Representatives Committee to finalise the examination of the preamble of the Directive and agreed to adopt the common position at one of its forthcoming session, following finalisation by the legal-linguistic experts.

– ***Risk Capital Action Plan - Benchmarking Report***

The Council, following a presentation by Commissioners BOLKESTEIN and SOLBES, took note of the Commission's fourth progress report on the implementation of the Risk Capital Action Plan.

It is recalled that the Plan examines market developments, the regulatory framework, tax issues, entrepreneurship and public funding, areas which, apart from the regulatory framework, mainly fall under the responsibility of Member States. The elements relating to the regulatory framework are to a large extent covered by the Financial Services Action Plan which will be the subject of another progress report to be presented by the Commission to the ECOFIN Council on 3 December 2002.

The report shows that the amount of venture capital invested in the EU in 2001 fell by 35% from 2000 levels but still remained above earlier years. Despite an even sharper fall last year in America, the US still invested three times more venture capital than the EU. The report acknowledges important progress over the last year in the modernisation of the regulatory framework for risk capital, and in particular the successful introduction of euro notes and coins and important steps forwards finalising the implementation of the EU's Financial Services Action Plan. However, it calls for more effort on the pan-European patent and on breaking down undesirable tax barriers. The report recognises that unfavourable market conditions and a lack of integration between national markets are still hampering risk capital operators in both current and future EU Member States. The report also calls for improvements in the functioning and regulation of stock markets specialising in high growth companies, in order to boost their recovery and allow them to play their intended role as an outlet for venture capital investment and as a "shop window" for successful and innovative companies.

– *Corporate Governance*

The Council heard an oral presentation by Mr Jaap WINTER, Chairman of the High Level Group of Company Law, of the final report on corporate governance adopted by his group on 4 November 2002.

The Council mandated the Economic and Financial Committee (EFC) to further examine it with a view to reporting to the Council at one of its future sessions.

IMPLEMENTATION OF THE EXCESSIVE DEFICIT PROCEDURE FOR PORTUGAL

The Council adopted a Decision on the existence of an excessive deficit in Portugal and a Recommendation to Portugal with a view to bringing an end to the situation of an excessive government deficit.

Portugal decided to make its recommendation public. Accordingly, the Council agreed to make the text available on the Council's website (http://ue.eu.int).

TAX ISSUES

– *Taxation of savings*

The Council reviewed the current state of play of negotiations with third countries, notably with Switzerland, on taxation of savings and the situation of the discussions on this matter with dependent or associated territories of the Member States concerned.

– *Energy taxation*

The Council held a discussion on the main outstanding questions of the draft Directive restructuring the Community framework for the taxation of energy products.

These issues are:

- the possibility of setting national levels below the new minimum levels of taxation;
- the arrangements for the use of diesel oil;
- the duration of transitional periods for electricity and other energy products than diesel oil; and
- the link between the exemptions and tax reductions laid down in the Directive and state aid rules.

The Council decided to instruct its relevant bodies to continue the work on these outstanding issues with a view to achieving an agreement on the Directive in a forthcoming session of the Council.

PREPARATION OF THE MINISTERIAL DIALOGUE WITH CANDIDATE COUNTRIES

The Council prepared the dialogue which was held at ministerial level with the Candidate Countries in the afternoon. (see below, p. 17: Events in the margin of the Council)

STREAMLINING THE ANNUAL ECONOMIC AND EMPLOYMENT POLICY CO-ORDINATION CYCLES

The Council adopted an interim report on streamlining of the policy co-ordination processes and invited the Economic Policy Committee (EPC) and the Economic and Financial Committee (EFC) to pursue work, in co-operation with other relevant groups, with a view to the adoption of a final report at its session in December.

It is recalled that the Barcelona European Council requested the Council and the Commission to streamline policy co-ordination processes. In particular, the European Council indicated that focus must be on action for implementation, rather than on the annual elaboration of guidelines. With a view to the European Council giving the key political impetus to the actions crucial to the achievement of the Union's long-term objectives, it decided that the calendars for the adoption of the Broad Economic Policy Guidelines and of the annual Employment Package should be synchronised as soon as feasible.

EIB GOVERNANCE WITH A VIEW TO ENLARGEMENT - Conclusions

The Council agreed on the following elements for amendment of the EIB's statute in the context of enlargement:

- Decisions of the Board of Directors shall be taken by at least a third of members entitled to vote. This majority must represent at least 50% of the subscribed capital.

- Spain's capital share is selectively increased to a level of 60% of voting power of larger countries, implying an increase of its share in EU-15 terms to 10.24% [1] and of 1.03 bn euros in cash contribution to the Bank. This increase shall be seen as setting no precedent for other Member States, or further enlargements, and shall have no bearing on any other arrangements related to governance.

- In order to maintain in the Board a wide range of professional expertise, 3 non-voting experts shall be co-opted to the Board, increasing the number of Directors from 26 to 29. In addition, 3 non-voting experts should be co-opted to the Board as Alternates, increasing the number of Alternates to 19. At the same time, so as to keep a large Board workable, its working methods should be adjusted regarding speaking rights of Alternates.

- Increase the Management Committee by one to nine members (including the next enlargement).

Furthermore, the Council agreed that the Board of Governors, immediately after entry into force of the accession treaties, should review the composition of the nine constituencies in the Management Committee. The Board of Governors should prepare this review in due time. Unless and until the Board of Governors decides otherwise by unanimity, the one additional member shall be allocated to a constituency of the 10 new Member States.

[1] In EU-25 terms: 9.77%. The EIB notes that the precise percentage share and absolute cash amount are indicative at this stage.

The Council also decided to enter the following statement in its minutes:

"The Council takes note that the composition of the nine constituencies of the Management Committee of the EIB should be reviewed with the aim of finding a better balance between the nine constituencies.

With reference to the country groupings in Article 11(2) of the EIB Statute (Alternate members of the Board of Directors), with a view to coming to a more balanced composition of constituencies, the Council recalls the enabling clause of the Nice Treaty for amending the EIB Statutes."

EUROPEAN CENTRAL BANK (ECB) - Conclusions

The Council adopted the following conclusions:

"The Council agrees that the ECB's subscribed capital and the ceiling on the ECB's foreign exchange reserves shall be increased in the context of enlargement. Accordingly, a new Article 49.3 should be introduced into Treaty Protocol (No 18) (ex No 3) on the Statute of the European System of Central Banks and of the European Central Bank:

"Upon one or more countries becoming Member States and their respective national central banks becoming part of the ESCB, the subscribed capital of the ECB and the limit on the amount of foreign reserve assets that may be transferred to the ECB shall be automatically increased. The increase shall be determined by multiplying the respective amounts then prevailing by the ratio, within the expanded capital key, between the weighting of the entering national central banks concerned and the weighting of the national central banks already members of the ESCB. Each national central bank's weighting in the capital key shall be calculated by analogy with Article 29.1 and in compliance with Article 29.2. The reference periods to be used for the statistical data shall be identical to those applied for the latest quinquennial adjustment of the weightings under Article 29.3.""

OTHER BUSINESS

– *Economic and financial situation in Lebanon*

At the request of the French delegation the Council took note of the meeting to be held in Paris on 23 November 2002 with Lebanon and its main partners in order to examine the possibility of financial support for this country in view of its difficult economic situation.

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EVENTS IN THE MARGINS OF THE COUNCIL

– *Troika with the European Parliament*

The Troika Ministers for Finance (Mr Thor PEDERSEN, Minister for Finance of Denmark and President of the Council, Mr Nicos CHRISTODOULAKIS, Minister for the National Economy and Finance of Greece, and Mr Giulio TREMONTI, Minister for the Economy and Finance of Italy), Commissioners BOLKESTEIN and SOLBES and the President of the European Parliament's Economic and Monetary Committee, Ms RANDZIO-PLATH, had an exchange of views on the report on financial regulation, supervision and stability.

The opportunity was also used for a presentation of on-going work on the preparation of the next European Council spring meeting, notably with regard to streamlining of procedures.

– ***Ministerial dialogue with Candidate Countries - Joint conclusions of the Economic and Finance Ministers of the EU and the candidate countries***

On 5 November 2002, the Economic and Finance Ministers of the EU and the candidate countries, along with representatives of the Commission and the ECB, met for their fourth economic policy dialogue meeting. They strongly welcomed the historic decisions on enlargement taken by the Brussels European Council, and also welcomed the perspective of negotiations for enlargement to be concluded at the European Council in December this year. They look forward to effective membership of the eligible accession countries in 2004.

The 2002 pre-accession economic programmes

On the whole, the 2002 programmes describe a credible medium-term macroeconomic and fiscal framework conducive to strong and sustainable economic growth. The candidate countries made further progress in 2001 in macroeconomic stabilisation and structural reforms.

The gap, in terms of average GDP per capita, between most accession countries and the current Member States, although narrowing, remains significant. While average growth in recent years has been consistently higher than in the EU, many accession countries have made only modest progress in terms of real convergence. In 2001, GDP per capita measured in Purchasing Power Standards reached, on average for the ten acceding countries, 39.3% of the EU average, up from 38.5% in 2000. The 2002 PEPs envisage a medium-term growth rate of the order of 4–6%. A number of countries still continue to grow below potential.

In some of the candidate countries, the authorities have made considerable progress in consolidating public finances and plan to carry on with prudent fiscal policies in the medium term. However, in several countries the current level of fiscal deficits is still very high, which underlines the need for a high level of ambition for fiscal consolidation and the sustainability of the fiscal stance over the medium term. Substantial efforts in this regard are required notably in the Czech Republic, Hungary, Malta and Poland. Continued fiscal consolidation will provide the conditions for economic growth.

Price and enhanced exchange-rate stability has become a positive feature in the accession countries, but further progress is required in some countries. In the pre-accession phase, exchange-rate strategies must remain consistent with other macroeconomic policies and convergence. An increasing degree of exchange-rate orientation towards the euro as the main reference currency is in line with further economic integration, but the speed depends on the particular circumstances of individual countries. The report by the Ecofin ministers of 8 November 2000 to the European Council in Nice on the exchange rate aspects of enlargement will be the basis for discussing the further path towards euro adoption.

In many candidate countries the prospect of accession has acted as a catalyst for comprehensive structural and institutional reforms. Progress has, however, been uneven and is notably lagging in a number of priority areas, for example labour, product and financial markets and the agricultural sector. In particular, in several countries the relatively high rate of unemployment and the low rate of participation indicate a need for urgent further structural adjustment.

Given liberalised capital flows, a sound macroeconomic framework is a major precondition for meeting financial stability posed during the catching-up process in the face of high and potentially volatile capital flows. Macroeconomic instability and excessive fluctuations in capital flows can cause severe strains in the financial sector. Conversely, a sound financial sector is a key prerequisite for macroeconomic stability, as illustrated by past experiences that had severe fiscal implications. The financial sector needs to deepen and widen in many candidate countries.

Conclusions:

The Ministers of the EU Member States and the candidate countries concluded that:

- the second PEPs in general demonstrate further progress in capacity building towards participation in the EU's multilateral surveillance and economic policy co-ordination. Overall, they reflect the main economic policy challenges that lie ahead for these countries on their road to accession and which need to be addressed together.

- achieving a high and sustainable level of real growth is important in order to ensure a rapid economic convergence with the EU. Closing the real income gap over the longer term will require substantial further progress with respect to the *outstanding structural reform agenda*, backed by forceful implementation. Efforts to create a more favourable environment for investment and entrepreneurship and to simplify and improve the regulatory environment should be vigorously pursued.

- continued vigilance against *potential external risks* is paramount given the accession countries' high openness, import dependence and export sensitivity to EU and international growth. Institutions for financial regulation, supervision and risk management need to be further strengthened as highlighted in the updated Commission report on macroeconomic and financial stability.

- *sound and credible fiscal policy* is crucial not only for coping with difficult economic policy choices but also for enhancing confidence in the stability of the macroeconomic policy framework. The weak fiscal positions of several accession countries argue strongly for taking decisive steps towards sustainable fiscal consolidation in line with the EU's fiscal surveillance procedures, inter alia so as to create room for private investment. Effective public expenditure management and efficient tax collection should be central elements of any consolidation programme. Long-term challenges due to ageing populations have also to be factored in.

The Ministers underline their commitment towards continuing, with the support of the Economic and Financial Committee (EFC), the Economic Policy Committee (EPC) and the Commission, the surveillance of progress with economic, budgetary and structural policies in the accession countries, including for those countries which will not be in the first wave of EU accession, within the existing economic and fiscal policy co-ordination processes. This should help the accession countries to define strategies for progressive economic integration. In the 2003 PEPs, recommendations need to be followed through as a matter of high priority so to contribute to growth and employment in an enlarged EU.

The EFC, the EPC and the Commission are invited to propose to the high-level meeting in spring 2003, taking into account the results of the current efforts to streamline the processes, on how the accession countries could be integrated as early as possible in the Community's economic policy co-ordination and fiscal surveillance procedures. The Commission is also invited to present, for approval by this meeting, an action plan on the most urgent statistical requirements and a report on deficit and debt reporting.

The Ministers of the candidate countries agree to putting forward in the 2003 updates of their PEPs' adjustment paths based on realistic assumptions regarding the economic outlook and detailed underlying reform measures. Ministers will meet again in the second half of 2003 to continue their dialogue. The dialogue at the level of the Economic and Financial Committee and their counterparts will continue in May 2003.

ITEMS APPROVED WITHOUT DEBATE

ECOFIN

Directive on the activities and supervision of institutions for occupational retirement provision *

The Council adopted, with Belgium abstaining, a common position with a view to the adoption of a Directive of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision. *(11212/02)*

The Council also agreed to enter into its minutes statements made by Belgium, the Netherlands and the Commission. *(12868/02)*

The draft Directive lays down rules for the taking up and pursuit of activities carried out by institutions for occupational retirement provision. The text, on which the Council reached political agreement at its session of 20 June 2002, will be sent to the European Parliament for a second reading under the co-decision procedure.

Macro-financial assistance to the Federal Republic of Yugoslavia and to Bosnia-Herzegovina

The Council adopted two Decisions providing further macro-financial assistance to the Federal Republic of Yugoslavia *(13294/02)* and to Bosnia and Herzegovina *(13295/02)*.

As regards the Federal Republic of Yugoslavia (FRY), the Community shall make available further macro-financial assistance in the form of a long-term loan and a straight grant with a view to ensuring a sustainable balance-of-payments situation and strengthening the country's reserve position. The loan component of this assistance shall amount to a maximum principal of 55 million euros with a maximum maturity of 15 years. To this end, the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of the RFY in the form of a loan. The grand component of this assistance shall amount to a maximum of 75 million euros.

In respect of Bosnia and Herzegovina, the purpose of the Decision is to help ease that country's external financial constraints, supporting the balance of payments and securing the reserve position.

The loan component of this assistance shall amount to a maximum principal of 20 million euros with a maximum maturity of 15 years. To this end, the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Bosnia and Herzegovina in the form of a loan. The grand component of this assistance shall amount to a maximum of 40 million euros.

Counter-measures against Nigeria and Ukraine - Council conclusions

The Council adopted the following conclusions:

"1. The Council reiterates its support for the international effort against money laundering and the financing of terrorism, including the work undertaken by the Financial Action Task Force (FATF).

2. The Council recalls the conclusions of the joint Ecofin/JHA Council meetings of 17 October 2000 and 16 October 2001. Here, the Council endorsed the recommendation of the FATF that Member States' financial institutions give special attention to businesses and transactions with persons, including companies and financial institutions, from the Countries and Territories (NCCT's) that are not cooperating in the implementation of FATF recommendations against Money Laundering. The list of NCCT's was updated on 11 October 2002 and is presently as follows: the Cook Islands, Egypt, Grenada, Guatemala, Indonesia, Myanmar, Nauru, Nigeria, the Philippines, St Vincent and the Grenadines and Ukraine.

3. The Council recalls that the Member States at the joint ECOFIN/JHA meeting on 17 October 2000 undertook to implement immediately, in concert and concomitantly, the counter-measures decided by the FATF against specific NCCT's.

4. At the Plenary Meeting of the FATF on 9 to 11 October, the FATF took the serious step of recommending that its members impose counter-measures against Nigeria and the Ukraine. In addition to having a deficient regulatory framework, Nigeria has demonstrated an obvious unwillingness or inability to co-operate with the FATF in the matter. Counter-measures will therefore apply to Nigeria as of 15 December 2002 unless Nigeria cooperates with the FATF to enact legislation that meets demands specified by FATF. Furthermore, counter-measures will apply to the Ukraine as of 15 December 2002 unless it enacts comprehensive legislation that meets demands specified by the FATF.

5. The Member States meeting within the Council have therefore decided to apply, in concert and concomitantly, counter-measures against Nigeria and the Ukraine on the terms specified above."

Follow-up on the World Summit on Sustainable Development - Council contribution

The Council adopted the following conclusions concerning the follow-up on the World Summit on Sustainable Development (WSSD):

"Elements, goals and targets in the WSSD Plan of Implementation concerning economic and financial issues and follow-up by the Council (ECOFIN)

The following areas in the Plan of Implementation are of particular relevance to the ECOFIN Council:

- Sustainable development in a globalizing world *(Chapter V)*
- Means of implementation, including financing and debt relief *(Chapter IX)*
- Institutional Framework for sustainable development *(Chapter X)*

In addition to these areas, the ECOFIN Council has an interest in following the topic:

- Changing unsustainable patterns of consumption and production *(Chapter III)*

The ECOFIN Council is prepared to contribute to following-up on the WSSD by focusing on the following topics:

As to sustainable development in a globalizing world *(incl. para 45)*, the members of the ECOFIN Council can contribute to promoting open and transparent decision making processes and institutional structures in IFIs. They can also through IFIs contribute to facilitating developing countries' ability to take full advantage of globalization, e.g. by structural reforms with a view to attracting FDI and by removal of internal constraints to exports. Finally, in accordance with the ECOFIN common views of June 4, 2002, the ECOFIN Council ministers can contribute to fighting abuse of the international financial system, including financing of terrorism and money-laundering, and to strengthening the role of IFIs in the global architecture with a view to reducing the risks posed by financial globalization and promoting sustainable development.

As to trade *(incl. paras 45, 75, 85, 86 and 88)*, the WTO Doha agenda is confirmed. The ECOFIN Council welcomes that the Plan of Implementation is in line with its position of June 4, 2002, on the matter. In the ECOFIN common views, an open and fair multilateral trading and financial system is presented as a pre-condition for sustainable development and poverty reduction, support for the "Doha Development Agenda" is reiterated, and the EU reaffirms its commitment to multilateral rules, free trade principles and practices and its readiness to play a leading role in the new trade round.

As to finance *(incl. paras 79 and 82)*, following Council Conclusions from the European Councils in Göteborg and Barcelona, those member states that have not reached the 0.7% target have committed themselves – as a first significant step – individually to increasing their ODA volume in the next four years within their respective budget allocation processes, whilst the other member states will renew their efforts to remain at or above the target of 0.7% ODA, so that collectively an EU average of 0.39% is reached by 2006. In view of this goal, all the EU member states will in any case strive to reach, within their respective budget allocation processes, at least 0.33% ODA/GNI by 2006. According to the ECOFIN common views of June 4 ,2002, an increase in the overall volume of development assistance should be accompanied by greater effectiveness of ODA, inter alia through implementing the DAC recommendation on untying aid to Least Developed Countries. Thus, in accordance with the ECOFIN position from June 4, 2002, on the matter, the Plan of Implementation in which these goals are confirmed is in line with the Monterrey-Consensus. The ECOFIN Council agreed, in its meeting on May 7, to contribute to the follow-up on Member States' compliance with commitments made in Monterrey on an annual basis. Also, the members of the ECOFIN Council through IFIs can contribute to exploring ways of generating new public and private innovative sources of finance for development.

As to debt relief *(incl. paras 83)*, the members of the ECOFIN Council through IFIs can contribute to promoting debt relief and cancellation, including through the HIPC initiative, in accordance with the Monterrey Consensus as well as the ECOFIN common views of June 4, 2002.

As to the institutional framework for sustainable development *(incl. paras 121, 122, 133, 136 and 140)*, the members of the ECOFIN Council through IFIs and within their mandates can contribute to enhancing the integration of sustainable development goals in the work programmes and operational guidelines of IFIs, in accordance with the ECOFIN common views of June 4, 2002, in which bilateral and multilateral development institutions are encouraged to better integrate social and environmental aspects in their policies and practices. The members of the ECOFIN Council through IFIs can also contribute to strengthening collaboration and co-operation on sustainable development between the United Nations' system and the IFIs."

Collector coins - Council conclusions

The Council adopted the following updated conclusions on collector coins of 31 January 2000:

"To ensure that Euro collector coins will be readily distinguishable from Euro coins intended for circulation:

- The face value of collector coins should be different from that of the coins intended for circulation (i.e. Euro collector coins cannot have a face value equal to the 8 denominations: 1, 2, 5, 10, 20, 50 Euro cent and 1 and 2 Euro);
- Collector coins should not use images, which are similar to the *common* sides of the euro coins intended for circulation. Furthermore, as far as possible, the designs used should also be at least slightly different from those of the *national* sides of circulation coins;
- Colour, diameter and weight of euro collector coins should differ significantly from the coins intended for circulation for at least two of these three characteristics. The difference will be regarded as significant if the values including tolerances are outside the tolerance ranges fixed for euro circulation coins;
- Collector coins should not have a shaped edge with fine scallops, or "Spanish flower";
- The identity of the issuing Member State should be clearly and easily recognisable.

Furthermore:

- Euro collector coins may be sold at or above face value;
- Approval for the volume of collector coins issue should be sought on an aggregate basis rather than for each individual issue;
- With respect to collector coins denominations, that may coincide with the low denominations of euro banknotes, there does not seem to exist any significant risk of substitution. However, Member States should stand ready to consider any demands by the ECB on this matter;
- While Euro collector coins will have legal tender status in the issuing Member State, the competent authorities (NCBs, Mints or other institutions) should set up temporary arrangements through which owners of euro collector coins issued in other euro area Member States can receive the face value of those coins while bearing the costs related to this transaction."

Turnover taxes - Authorisation to Austria, Germany and France to apply derogating measures on turnover taxes

The Council adopted a Decision authorising Austria to apply a measure derogating from Article 21 of Directive 77/388/EEC on the harmonisation of the laws of the Member States relating to turnover taxes *(11750/02)*. The purpose of this Decision is to enable Austria to designate the person to whom the services are provided as the person liable to pay tax, in the following cases: where construction work and labour are provided by a subcontractor to either a general contractor, a company which carries out its own construction work or another subcontractor.

The Council also adopted a Decision authorising Germany and France to apply a measure derogating from Article 3 of the same Directive *(13006/02)*. The purpose of this derogation is to fix the territorial boundary between Germany and France in the middle of certain cross-border bridges, in order to simplifying the collection of VAT on the construction and maintenance of those bridges.

VAT - progress reports

The Council took note of a progress report concerning VAT-right to deduct (including cross border right of deduction) and of a Commission report on the review of Article 9 of the 6th VAT Directive *(13347/1/02 REV 1 and 13634/02).*

The Council also asked the Permanent Representatives Committee to report in a forthcoming Council session on the proposal for amending the 6th VAT Directive as regards the rules governing the right to deduct and invited the Commission to continue its work on the revision of Article 9 of the 6th VAT Directive.

EXTERNAL RELATIONS

Fight against small arms and light weapons - Second Annual Report

The Council took note of the Second Annual Report on the implementation of the EU Joint Action of 12 July 2002 on the European Union's contribution to combating the destabilising accumulation and spread of small arms and light weapons (2002/589/CFSP), repealing Joint Action 1999/34/CFSP, and the EU Programme for preventing and combating illicit trafficking in conventional arms of June 1997. Both, the Joint Action and the EU Programme, provide for an annual review of the actions undertaken.

The report is limited in principle to the year 2001 and is divided in three parts. Part I covers the national efforts to address the problems related to small arms in the Member States, such as inter-agency co-operation, newly enacted legislation and support for relevant research. Part II deals with the international measures, such as assistance to projects conducted by international or regional organisations, or non-governmental organisations, assistance to affected states and EU co-operation with other states, as well as the organisation of international conferences. In Part III the priorities for a more systematic approach to EU assistance in the field of small arms and light weapons are discussed, as well as the lessons learnt from the experience already accumulated by the EU and its Member States in this field. The report will be published in the Official Journal.

EU-SADC Ministerial Conference in Maputo (7/8 November 2002)

The Council agreed to the holding of the fifth SADC-EU Ministerial Conference in Maputo, Mozambique, on 7 and 8 November 2002, following an invitation by the SADC side. It mandated the EU delegation to finalise a Communiqué in Maputo taking into account the discussions during the Conference. The following two agenda items have been agreed between the EU and SADC: democracy, peace and security and co-operation towards poverty eradication.

The Council furthermore took note of a report on the review of the Berlin initiative which will be submitted to the Ministerial Conference. The report is a follow-up to the last EU-SADC Ministerial Conference in Gaborone, Botswana (29/30 November 2000). At that Conference it was agreed to review, six years after the EU and SADC signed on 6 September 1994 in Berlin a "Declaration", this initiative with a view to improving the dialogue and the overall partnership between SADC and the EU.

The objective of the Berlin Initiative was to contribute to peace, democracy and sustainable development in Southern Africa. The purpose of the Declaration was to further the Development of relations between the two regions and to establish a comprehensive dialogue. The two sides agreed to co-operate in a large number of areas (from political dialogue, to trade, development co-operation, health, energy, transport, tourism and culture).

The review submitted to the Maputo Ministerial Conference reports about a number of specific activities having taken place in these areas since 1994, in particular seminars, with some having resulted in the implementation of specific programmes (the EU SADC Investment Promotion Programme, initiatives on HIV/AIDS and the DRC Peace Process) while in other areas the activities have remained limited. The report thus puts forward a number of concrete suggestions also to take account of new developments, in particular the restructuring of SADC. It recommends to revise the long list of areas of co-operation with a view to better reflect the priorities and limited resources available. The report also proposes giving higher priority to issues such as poverty eradication and combating of HIV/AIDS. Another means to deepen the dialogue in a cost-effective manner advanced is to increasingly engage the EU and SADC Heads of Missions.

EEA - Participation in the 6th Framework Research Programme

The Council approved for the Community side a draft decision of the EEA Joint Committee amending Protocol 31 to the EEA Agreement, on co-operation in specific fields outside the four freedoms (*12701/02*). The aim of the decision is extend co-operation in the field of research and technological development. It creates the framework and lays down the arrangements for full participation by the EEA/EFTA States in the Community programmes and actions in this field, in particular regarding the sixth framework programme of the European Community for research, technological development for 2002-2006 (Decision 1513/2002/EC of 27 June 2002, OJ L 232, 29.8.2002, p. 1).

Israel - Negotiations agreement for scientific and technical co-operation

The Council adopted a Decision authorising the Commission to negotiate the renewal of the agreement for scientific and technical co-operation between the European Community and the State of Israel.

Association with Cyprus/ Malta

The Council adopted a mandate for the Commission to negotiate further mutual trade concessions with Cyprus and Malta in the field of processed agricultural products.

TRADE

Anti-dumping/Anti-subsidy - amendments to the basic acts

The Council adopted:

- A Regulation amending Regulation (EC) No 384/96 on the protection against dumped imports from countries not members of the European Community *(11508/02).* The new regulation provides for clarifications to the Basic Regulation (No 384/96) in the light of experience gained up to now in current anti-dumping practice. Furthermore, in view of the significant progress made by the Russian Federation towards the establishment of market economy conditions, as recognised by the conclusions of the EU-Russia Summit on 29 May 2002, it is proposed to grant the Russian Federation full market economy status.

- A Regulation amending Regulation (EC) No 2026/97 on the protection against subsidised imports from countries not members of the European Community *(1511/02).* The new regulation provides for the repeal or amendment of certain rules in the Basic Anti-Subsidy Regulation (No 2026/1997), which were made necessary as the application of certain provisions of the WTO Agreement on Subsidies and Countervailing Measures with regard to none-actionable subsidies expired on 31 December 1999.

Brazil - Agreement on textile products

The Council adopted a Decision on the signing, on behalf of the European Community, and provisional application of an Agreement in the form of a Memorandum of Understanding between the European Community and Brazil on arrangements on trade in textile products (*11949/02*). It provides for improved market access for textile and clothing products to the respective markets.

Following the adoption of the negotiation mandate by the Council on 9 November 2000, the agreement was negotiated on behalf of the Community by the European Commission and initialled on 8 August 2002. It is now ready for signature. Pending completion of the relevant procedures for its formal conclusion it will apply from the moment of signature on a provisional basis.

TRANSPORT

Market access to port services

The Council adopted a common position by qualified majority, with the Swedish delegation voting against, on the proposal for a Directive aimed at ensuring freedom to provide port services with a view to improving their quality and reducing their cost. The text, on which the Council reached political agreement at its meeting on 17 June, will be sent to the European Parliament for a second reading under the codecision procedure. *(11146/02)*

The proposal aims to balance the implementation of the general principles of the Treaty with the complex reality of the port sector, while limiting the number of providers of port services and taking into account each port's specific characteristics. It sets rules to guarantee clear and transparent procedures for the selection of service providers in ports open to commercial traffic.

Maritime cabotage - Council conclusions

"The Council

- notes the fourth report on the implementation of Council Regulation nr 3577/92 applying the principle of freedom to provide services to maritime cabotage (1999-2000);
- welcomes the report's conclusions on the positive impact of the liberalisation of the cabotage services;
- takes note of the view of the Commission (report, item 4.2) that it is appropriate to wait for the full liberalisation of the Greek cabotage market before analysing the impact of a completely liberalised cabotage market in the Union and in consequence that the fifth report on the implementation of Council Regulation nr 3577/92 applying the principle of freedom to provide services to maritime cabotage, to be submitted pursuant to Article 10 of Regulation nr 3577/92, shall cover the years 2001 to 2004 and submitted by the end of 2005."

RESEARCH

6th research framework programme - Rules of participation (EC programme)

The Council adopted the Regulation of the European Parliament and of the Council establishing rules for the participation of undertakings, research centres and universities in the European Community sixth research framework programme (2002-06) and for the dissemination of research results, approving all the amendments voted by the European Parliament in first reading. The decision was taken by qualified majority, with the Portuguese delegation abstaining.
(3647/02)

Adoption of this Regulation and of the rules for participation in the Euratom research programme will ensure the timely implementation of the two new framework programmes, as requested by the European Council, so as to promote the creation of a European Research Area and to strengthen innovation in the European Union. The specific research programmes were adopted by the Council on 30 September.

The overall budget provided for under the EC and Euratom framework programmes amounts to 17 500 million euros, of which 16 270 million euros are earmarked for the EC programme.

6th research framework programme - Rules of participation (Euratom programme)

The Council adopted the Regulation establishing rules for the participation of undertakings, research centres and universities in the sixth research framework programme (2002-06) of the European Atomic Energy Community (Euratom). *(11549/02)*

Adoption of this Regulation and of the rules for participation in the European Community research programme will ensure the timely implementation of the two new framework programmes, as requested by the European Council, so as to promote the creation of a European Research Area and to strenthen innovation in the European Union. The specific research programmes were adopted by the Council on 30 September.

The overall budget provided for under the EC and Euratom framework programmes amounts to 17 500 million euros, of which 1 230 million euros are earmarked for the Euratom programme.

<u>TRANSPARENCY</u>

Public access to documents

The Council adopted:

- a reply to the confirmatory application for access to Council documents by Ms Claudia VIPSANIA (with the Danish, Finnish, Greek, Netherlands and Swedish delegations voting against)
  (12850/02)

- a reply to the confirmatory application for access to Council documents by Ms Evelien BROUWER (with the Finnish, Netherlands and Swedish delegations voting against).
  (13032/02)

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DECISIONS TAKEN UNDER THE CONCILIATION PROCEDURE

(23 October - 30 October)

SOCIAL AFFAIRS

Exposure of workers to noise

The Council and the European Parliament reached agreement **on 23 October 2002** by an exchange of letters on a proposal for a Directive laying down minimum requirements for the protection of workers from risks to their health and safety arising from exposure to noise. This agreement has to be confirmed by the Parliament (majority of the votes cast) and by the Council (qualified majority), with a view to formally adopt the Directive.

This Directive will replace Directive 86/188/EEC on the protection of workers from the risks related to exposure to noise at work, lowering the upper levels of exposure from 90 to 87 decibels.

The compromise obtained relates in particular to the music and entertainment sectors. Both sectors will be covered by the Directive's provisions but, in order to facilitate their implementation, a specific code of conduct must be drawn up by Member States in consultation with the social partners or with the appropriate labour and industry representatives at national level.

It is recalled that in 1992 the Commission presented its original proposal which contained requirements regarding the exposure of workers to the risks arising from four different physical agents: noise, mechanical vibrations, optical radiation and electromagnetic fields and waves. In view of the technical complexity of the examination of all physical agents in a single instrument, it was agreed in 1999 to split the Directive and to treat each physical agent separately.

TRANSPORT

Civil aviation - Agreement on strengthened security measures

On **30 October 2002**, by an exchange of letters, the Council and the European Parliament reached agreement on the draft Regulation on establishing common rules in the field of civil aviation security in Europe. For the Regulation to be adopted, the agreement must now be confirmed by the Parliament (majority of votes cast) and by the Council (qualified majority), in accordance with the co-decision procedure.

This Regulation fits in with the plan for combating terrorism adopted by the European Council at its extraordinary meeting following the terrorist attacks carried out in the United States on 11 September 2001.

The compromise obtained during conciliation between the Council and the Parliament relates in particular to the following two questions:

- Screening measures for security-restricted areas at airports. All staff, including flight crew, are to be screened before being allowed access to a restricted area. Where this is not practicable, they are to be subjected to random screening, which will also cover all items carried on board aircraft. One year after the entry into force of the Regulation, all staff and all items will be screened before being allowed access to the most critical areas within airports. By 1 July 2004 the Commission will adopt implementing measures which will be fully applicable at the latest five years after that date;

- Funding of security measures. In a statement, the Parliament, Council and Commission recognise the diversity of situations existing in Member States and the need to avoid the distortions of competition which might result. They take account of the fact that the Commission will give favourable consideration to public funding of additional security measures. The Commission will undertake a study which will address in particular the way that funding is shared between the public authorities and the operators, without prejudice to the distribution of competences between the Member States and the European Union, and will submit proposals to the Parliament and Council if necessary.

Under the Regulation, each Member State will have to adopt a national civil aviation security programme and appoint a single authority to co-ordinate and monitor its implementation.

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DECISION ADOPTED BY WRITTEN PROCEDURE

ECOFIN

European Union Solidarity Fund - Interinstitutional Agreement

The Council agreed **on 31 October 2002**, by means of the written procedure, upon the text of the Interinstitutional Agreement between the European Parliament, the Council and the Commission on the financing of the European Union Solidarity Fund. *(13191/02)*

This Fund is intended to allow rapid financial assistance in the event of a major disaster occurring on the territory of a Member State or of a candidate country whose accession to the European Union is currently under negotiation.

The three institutions agreed that there shall be a ceiling on the annual amount available for expenditure by the Fund of EUR 1 thousand million. On 1 October each year, at least one-quarter of the annual amount should remain available in order to cover needs arising until the end of the year.