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2375th Council meeting

**- ECOFIN -**

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***For further information call 02-285.6423, 02-285.8415 or 02-285.6808***

## **PARTICIPANTS**

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

### **Belgium :**

Mr Didier REYNDERS  
Mr Alain ZENNER

Minister for Finance  
Government Commissioner

### **Denmark :**

Ms Marianne JELVED  
Mr Michael DITHMER

Minister for Economic Affairs and Nordic Cooperation  
State Secretary for Economic Affairs

### **Germany :**

Mr Caio KOCH-WESER

State Secretary, Federal Ministry of Finance

### **Greece :**

Mr Yannis PAPANTONIOU

Minister for the National Economy and Finance

### **Spain :**

Mr Rodrigo de RATO y FIGAREDO

Second Deputy Prime Minister and Minister for Economic Affairs

### **France :**

Mr Jean-Pierre JOUYET

Treasury Director

### **Ireland :**

Mr Charlie McCREEVY

Minister for Finance

### **Italy :**

Mr Giulio TRIMONTI

Minister for the Economy and Finance

### **Luxembourg :**

Mr Luc FRIEDEN

Minister for the Treasury and the Budget and Minister for Justice

### **Netherlands :**

Mr Gerrit ZALM

Minister for Finance

### **Austria :**

Mr Karl-Heinz GRASSER

Federal Minister for Finance

### **Portugal :**

Mr Guilherme OLIVEIRA MARTINS  
Mr Vasco LAVRADOR

Minister for Finance  
State Secretary for the Treasury and Financial Affairs

### **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  
Mr Pedro SOLBES MIRA

Member  
Member

\* \* \*

### **Other participants :**

Mr Philippe MAYSTADT  
Mr Johnny ÅKERHOLM  
Mr Jean-Philippe COTIS

President of the European Investment Bank  
Chairman of the Economic and Financial Committee  
Chairman of the Economic Policy Committee

## **EMPLOYMENT PACKAGE AND WAYS OF INCREASING EMPLOYMENT LEVELS AND PROLONGING WORKING LIFE**

The Council heard a presentation by Commissioner SOLBES on the Employment package of 14 September 2001 which includes a draft Joint Employment Report by the Council and the Commission on the employment situation, a proposal for a Council Decision on guidelines for Member States' employment policies for the year 2002 and a Council Recommendation on the implementation of Member States' employment policies.

The Council also heard a report – well received by delegations – by the Chairman of the Economic Policy Committee (EPC) on the preliminary work undertaken by his Committee on the employment package. The EPC Chairman also referred to the EPC's first debate on a Commission note on increasing employment levels and prolonging working life. He said that some delegations wanted to steer the debate more particularly towards aspects on which Member States could actually take action and referred to certain differences of opinion between the delegations on the Commission texts, particularly with regard to the application of the principle of subsidiarity.

The Council instructed the EPC to continue with preparation of a joint report with the Standing Committee on Employment on the employment package, which, once completed, would be forwarded to the Employment and Social Policy Council.

It also instructed the EPC to continue working on ways of increasing employment levels and prolonging working life on the basis of a new draft report to be produced by the Commission next month. This report should be submitted to the Barcelona European Council in the spring of 2002. An interim report on the subject was expected by early 2002 at the latest.

## **FINANCIAL SERVICES**

### ***– Institutions for occupational retirement provision***

The Council took note of a progress report by the Presidency on Institutions for occupational retirement provision (IORPs) in the light of the Council's conclusions of 7 May 2001. In that report the Presidency stated in particular that

- the first reading of most of the proposal for a Directive (up to and including Article 11) had been completed and that a method had also been agreed on by the Working Party for starting the reading of the final articles, which relate more specifically to the rules to be applied to calculation of the technical provisions, investments and cross-border links.
- a questionnaire on the supervision of IORPs had been drawn up by the Presidency and sent to the Member States on 3 September 2001 with the aim of improving mutual understanding of the systems of supervision to which IORPs were subject in the Member States; replies were currently being analysed.

### ***– Money laundering – results of the Conciliation Committee meeting***

The Council took note of the progress of the Presidency's negotiations with the European Parliament rapporteur under the conciliation procedure concerning the amendment of the 1991 Directive on money laundering. That result raised hopes that the new text of the overall compromise accepted by the Permanent Representatives Committee at its meeting on 10 October 2001 could be accepted by the European Parliament delegation at its meeting on 17 October 2001 and should allow formal adoption of the Directive which aims at broadening the scope of the 1991 Directive and extending the obligations in it to certain non-financial activities and professions, particularly the legal and accounting professions.

Ministers welcomed this result, underlining the importance of this Directive in combating the financing of terrorism, and expressed their determination to see it transposed into national law at the earliest opportunity.

## **ACTIONS TO COMBAT THE FINANCING OF TERRORISM**

In accordance with the conclusions of the informal ECOFIN Council meeting in Liège, the Council heard two reports, one from the Presidency and one from the Commission on the action to be taken in the ECOFIN area to combat terrorism. The Presidency's report specifically covers the following four points:

1. progress of the investigations carried out by the securities commissions on the possible manipulations of exchange rates and insider trading offences at the time of the events of 11 September 2001;
2. progress of discussions on the proposal for a Directive on insider trading and market manipulation;
3. progress of the conciliation procedure concerning the proposal for a Directive on prevention of the use of the financial system for the purpose of money laundering;
4. presidency initiatives to improve multilateral cooperation (with the FATF, between national anti-money-laundering units, counter measures against non-cooperation countries).

Commissioner BOLKESTEIN, for his part, emphasised the importance in the current context of adopting a directive on insider trading and market manipulation, the important role of the CESR (Committee of European Securities Regulators) in investigations into the possible manipulation of the markets linked to the events of 11 September and the key role of the FATF in combating the financing of terrorism. In that connection, he emphasised that it was important that Member States' delegations adopt a coordinated approach at the meeting in Washington on 30 October 2001.

## **GLOBALISATION AND DEVELOPMENT**

Further to the deliberations of the Finance Ministers in Liège, the Council asked the Commission to prepare a study on globalisation and development and adopted terms of reference to guide the Commission in this work.

– ***Terms of reference for a Commission report on the "Responses to the Challenges of Globalisation"***

The Council invites the Commission to prepare a report on the benefits and challenges of globalisation, and possible responses to those challenges. The report should focus on financial globalisation and review ways to promote and finance development. The Council would welcome receiving a first interim report in time for its meeting on 14 December 2001. This interim report should consist of a detailed plan indicating the various topics for current and future study. It should already contain advanced information on financial issues, and as much as possible on development-related issues. Understandably, the latter requires wider consultations with relevant bodies. The final report would be welcomed by the end of February 2002. The interim and final reports shall be discussed by the Economic and Financial Committee (EFC) prior to their presentation to the Council.

The following areas may be explored; they may be neither exhaustive nor do they constitute a proposal for the structure of the report:

I. **Financial globalisation**

This part of the report could include:

1. analysis of the overall benefits of globalisation in various fields (trade, finance and beyond);
2. analysis of the impact of financial globalisation, including international capital flows, on both developed and developing countries;



3. assessment of ongoing initiatives to improve the effectiveness and the resilience of the international financial system and to mitigate volatility in financial markets;
4. assessment of ongoing initiatives launched by the international community to offset, where necessary, the potential drawbacks/abuses of financial globalisation.

Looking forward, the report could:

1. look at ways to deepen and accelerate efforts to improve the effectiveness of the international financial system and to counter the potential drawbacks/abuses of financial globalisation;
2. analyse advantages and disadvantages of the creation of a tax on currency transactions, including the "Tobin tax" and similar proposals;
3. study additional initiatives in the fight against the financing of terrorism and against money laundering, including means to improve the transparency of corporate vehicles.

## II. Development

This part of the report should analyse the various existing instruments contributing to development processes and reduction of inequalities, which are important for the objectives mentioned above (fight against the financing of terrorism, fight against money laundering, financial stability, etc.):

1. efficiently targeted and delivered overseas development aid (fulfilment of the 0.7% GDP objective) provided at the multilateral, the EU (with a strong focus on the ways to improve EU assistance to third countries) and, to the extent necessary at Member States' (bilateral aid) levels, with a view to preparing a coordinated Union approach on the financial aspects of development aid for the United Nations Conference to be held in Monterey in March 2002;
2. debt reduction, including the HIPC initiative;
3. the role of trade and market access for development;
4. the role of direct foreign investment, etc.

The Commission could also look into the comparative pros and cons of other sources for financing development, including tax devices (on currency transactions, carbon emissions, arms exports, "De-Tax", etc.).

## **INTRODUCTION OF EURO BANKNOTES AND COINS**

### ***– Statement by the (ECOFIN) Council to the Ghent European Council on the Commission Communication on preparations for the changeover to the euro***

"The Ministers of the ECOFIN Council welcome the report prepared by the European Commission which provides a comprehensive analysis of the state of progress regarding the key elements essential for the changeover:

- the preparations by the various economic operators (businesses, banks, national and local administrations and citizens);
- the different communication campaigns necessary to prepare the population;
- the production of euro banknotes and coins.

The Ministers are reassured that preparations, including operations to front-load banks and retailers, are progressing satisfactorily, and remain for their part committed to act to facilitate a smooth changeover. They note, in particular, the importance of:

- increasing efforts to provide information for small and medium-sized enterprises and local authorities, as many still lag behind in preparations;
- stepping up communication efforts to enable citizens to familiarise themselves with the features of their new currency;

- helping retailers to manage practical aspects of the introduction of the new currency; and encouraging them to participate in the sub-frontloading operation and to use this opportunity to train cash-handling staff in the use of the new banknotes and coins;
- facilitating swift distribution of the new banknotes to the public as from 1 January, notably through an almost immediate adaptation of ATMs.

The Ministers note the Commission's positive assessment of specific areas described in detail in the report, such as security measures and emergency plans; actions to prevent counterfeiting; the approach followed to promote price stability; methods for bringing the new currency into circulation; and practical measures to assist individuals.

Finally, the Commission's report also identifies forty good practices considered by the Commission as important for the success of the operations. The Ministers will consider, where appropriate and in accordance with national circumstances, implementing these good practices."

— ***Mandate to establish a Euro changeover information network: Council conclusions***

"The Council invited the Member States, in collaboration with the European Commission, the European Central Bank (ECB) and the Eurosystem, to establish a common European network for managing changeover information during the period of the introduction of the euro banknotes and coins. This network shall start functioning from early December 2001.

The Council invited members of the Economic and Financial Committee (EFC) to appoint one participant from each Member State to the changeover information network. The nominated participant shall provide information concerning the progress of its Member State regarding the changeover at frequent intervals, according to a short questionnaire. A coordinating team located in the European Commission, in collaboration with the Secretariat of the EFC, will compile and assess the information provided.

On the basis of the information provided by the network and other sources, the Council invited the EFC, in close coordination with the ECB's Cash Changeover Committee (CashCo), to stand ready to advise the ECOFIN Council, including through the preparation of draft terms of reference to respond to possible problems with the euro changeover, throughout the period of the introduction of euro bank notes and coins."

– *Provision of euro coin for in-house testing by the coin-operated industry: Council conclusions*

"The Council and the Ministers meeting in the Council agreed the following arrangements for the provision of euro coins to the coin-operated industry for the purposes of in-house testing of equipment:

The coin-operated industry located within the euro area should be treated in the same way as other retailers with respect to provisions for making coins available before 1 January 2002.

In addition, specific quantities of euro coins may be sold to coin validator manufacturers and to companies which manage, service or otherwise adjust coin-operated machines, inside and outside the euro area, prior to 1 January 2002, under the following conditions:

- the company must be known to the authority or institution which sells the euro coins or provide proof that it needs the euro coins for testing or adaptation of its equipment;
- purchased euro coins can be used exclusively for testing and adaptation purposes;
- each Member State can sell only its national euro coins;
- counterparties will be prohibited from passing on the purchased euro coins to any third parties prior to 1 January 2002;
- counterparties will be required to store the euro coins safely in order to avoid theft, robbery or destruction and to provide appropriate insurance to cover risks; and

any breach of the obligations of counterparties receiving coins for in-house tests may be subject to payment of contractual penalties."

## **ECONOMIC SITUATION IN THE AIR TRANSPORT SECTOR**

The Council took note of a presentation by the Commission of the main features of its proposals for the air transport sector discussed in more detail at the Telecommunications/Transport Council meeting on 16 October 2001.

In its presentation, the Commission referred in particular to the agreement reached at the informal meeting in Liège on the principles on which national intervention would be based with regard to insurance. Intervention would in principle be acceptable for a period of one month after which the situation would be reviewed. The Commission suggested that general aid should be allowed exclusively to compensate for the direct effects of the closure of United States' airspace during the four days immediately after 11 September.

Emphasising the need to act in concert with the Transport Council on the Commission proposals, the Council reaffirmed the principles agreed by the Ecofin Ministers in Liège, notably the need to avoid providing general aid to non-profitable airline companies, the desire to limit as far as possible the period during which Member States provide insurance and the need to encourage the insurance provision market to resume operation.

In this connection, several Ministers stressed the need to ensure that the premiums requested by Member States be high enough to ensure a speedy return of insurers and insured to the market. The Council also proposed examining insurance measures in place in the Member States on a monthly basis and setting an end-of-December deadline for their definitive expiry. The President noted a very clear preference for as speedy a return as possible to commercial insurance based on proper operation of the market.

Regarding compensation for the closure of United States' air space, Ministers confirmed that their approach would be restrictive. Any compensatory intervention should be strictly limited to the direct consequences of the closure and the extent of such intervention should be monitored by the Commission. In this connection, the Council said that its main concern was to eliminate any possibility of introducing general aid in this sector.

The Council also heard Mr MAYSTADT, President of the European Investment Bank (EIB) outline his Institution's commitments vis-à-vis the air transport sector with particular reference to that sector's requests for funding.

## **OTHER BUSINESS**

### **– *Pensions***

The Council noted delegations' observations on the question of objectives and working methods in the area of pensions. These observations should in particular enable the Economic Policy Committee and the Social Protection Committee to continue their discussions with the aim of producing a report in good time for the Laeken European Council.

## **ITEMS APPROVED WITHOUT DEBATE**

The documents whose references are given 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 may be obtained by following the procedure indicated above or from the Press Office.)

### **ECOFIN**

#### **Mutual information and assistance on pensions – Council conclusions**

The Council approved the following conclusions on the elimination of tax obstacles to the cross-border provision of occupational pensions

"THE COUNCIL OF THE EUROPEAN UNION,

- (1) WELCOMES the Commission communication of 19 April 2001 on the elimination of tax obstacles to the cross-border provision of occupational pensions;
- (2) STRESSES the importance which it attaches to improvement of the exchange of information on occupational pensions, as a means of safeguarding Member States' tax revenues in a single market with increased cross-border labour mobility;
- (3) ENDORSES the Commission's proposal to hold consultations in the Committee provided for by Article 9(1) of the Mutual Assistance Directive to consider further the Communication, and notably the implementation of the proposals on the exchange of information in the area of occupational pensions;
- (4) ASKS that Committee to report to it on the discussions referred to in paragraph 3 before the end of 2002;
- (5) UNDERLINES the need to deal with cases of double taxation and double non-taxation which result from the differences between Member States' systems for the taxation of occupational pensions;
- (6) ASKS COREPER to ensure better coordination of the different co-existing systems for the taxation of occupational pensions by developing arrangements for the elimination of double taxation and double non-taxation in the area of occupational pensions and report to it before the end of 2002."

#### **Taxation of savings – negotiations with third countries**

The Council adopted a decision comprising a mandate to negotiate with the six key third countries on the question of the taxation of savings, namely the United States of America, Switzerland, Liechtenstein, Monaco, Andorra and San Marino to secure adoption by them of measures equivalent to those to be applied within the Community in accordance with the conclusions of the Feira European Council and the ECOFIN Council of 26 and 27 November 2000.

## **Turnover taxes**

The Council adopted two decisions authorising the Federal Republic of Germany to conclude with the Polish Republic and the Czech Republic two agreements containing measures derogating from Articles 2 and 3 of the Sixth Council Directive (77/388/EEC) of 17 May 1977 on the harmonisation of the laws of the Member States relating to turnover taxes.

*(12227/01 and 12228/01)*

## **Monetary agreement with the Vatican City State**

Delegations took note of and decided to have published in the Official Journal of the European Communities the Monetary Agreement concluded with the Italian Republic and the Vatican City State authorising that State to use as from 1 January 1999 the euro as its official currency in accordance with Regulations (EC) Nos 1103/97 and 974/98.

Under the terms of the Agreement, the Vatican City State will grant legal tender status to euro banknotes and coins as from 1 January 2002. It undertakes to make Community rules on euro banknotes and coins applicable in the Vatican City State and to align itself on the Italian Republic's timetable for the introduction of euro banknotes and coins. The Vatican City State also undertakes to follow the Italian Republic's timetable for the withdrawal of Vatican lira coins.

*(11551/01)*

## **JUSTICE AND HOME AFFAIRS**

### **Illicit manufacturing of and trafficking in firearms**

The Council adopted a Decision concerning the signing on behalf of the European Community of the United Nations Protocol on the illicit manufacturing of and trafficking in firearms, their parts, components and ammunition, annexed to the Convention against transnational organised crime.

*(11718/01)*

## **RELATIONS WITH THE ASSOCIATED CCEE**

### **Participation in the Culture 2000 programme – Latvia, Romania, Czech Republic**

The Council approved three draft Decisions of the EU-Latvia, EU-Romania and EU-Czech Republic Association Councils respectively enabling these three countries to participate in the new Community "Culture 2000" programme (covering the period 2000-2004) and defining the terms and conditions for such participation.

*(UE-LV 863/01, UE-RO 1811/01 and UE-CZ 1709/01)*



## **ENVIRONMENT**

### **Convention on Biological Diversity – Council conclusions**

The Council adopted the following conclusions on access and benefit-sharing in preparation for the meeting of the Ad Hoc Working Group of the Convention on Biological Diversity (Bonn, 22 to 26 October 2001):

- "1. The European Union recognises that access to genetic resources is of critical importance for meeting the food, health and other needs of the growing world population. It is committed to the achievement of all objectives of the Convention on Biological Diversity, including the third, namely the fair and equitable sharing of the benefits arising out of the utilisation of genetic resources. This should contribute to the conservation and sustainable use of biological diversity.
2. The European Union welcomes Decision V/26 of the Conference of the Parties to the Convention on Biological Diversity convening an Ad hoc Open-ended Working Group on Access and Benefit-sharing with a mandate to develop guidelines and other approaches for submission to the VI Conference of the Parties and welcomes the work of the Panel of Experts on Access and Benefit-sharing.
3. The European Union agrees that the guidelines on access and benefit-sharing being developed should go together with a range of other approaches such as codes of conduct, indicators, model agreements as well as sectoral guidelines developed by other organisations.
4. The European Union looks forward to the discussions which will take place in the above-mentioned Working Group and thanks Germany for having offered to host the meeting of the Group in Bonn, from 22 to 26 October 2001.
5. The European Union believes that the guidelines should aim at assisting Parties and relevant stakeholders in developing, as appropriate, legislative, administrative and policy measures as well as contractual arrangements on Access and Benefit-sharing. The guidelines should facilitate access for users by increasing transparency, legal certainty and reducing transaction costs. At the same time, they should endorse and further elaborate on the principles of prior informed consent and mutually agreed terms and be a means of facilitating providers in obtaining an equitable sharing of the benefits arising from the use of genetic resources. Such benefits can be monetary and non-monetary and can be shared in the short, medium and long term.
6. The scope of the guidelines should be wide: all genetic resources covered by the Convention on Biological Diversity and associated traditional knowledge, innovations and practices should be included.
7. The European Union thinks that the guidelines should be flexible enough to suit Access and Benefit-sharing arrangements by different users and for different uses. Therefore, a fine balance should be sought in the level of detail to be reflected in the guidelines.

8. The guidelines will be voluntary in nature. However, there should be a strong commitment to developing guidelines which would meet the requirements of the Convention on Biological Diversity and would be acceptable to Parties and stakeholders.
9. The European Union believes that it is important to ensure coherence and mutual supportiveness between the guidelines and other ongoing developments such as in the Food and Agriculture Organisation, the World Intellectual Property Organisation and the World Trade Organisation.
10. In particular, the Multilateral System, which is under discussion in the revision of the Food and Agriculture Organisation International Undertaking on Plant Genetic Resources for Food and Agriculture should be taken into account. Moreover, the development of guidelines regarding aspects which relate to the protection of traditional knowledge and intellectual property should take account of and be mutually supportive with the work of the World Intellectual Property Organisation Inter-Governmental Committee.
11. The European Union considers that the full and proper implementation of Article 15 is very important and encourages the Commission and its Member States to review its policy, administrative and legislative measures in the light of the outcome of the VI Conference of the Parties in April 2002.
12. On this basis, the European Union encourages the Ad hoc Working Group to develop and endorse a set of draft guidelines and other approaches on Access and Benefit-sharing to be submitted for final discussion and adoption to the VI Conference of the Parties to the Convention on Biological Diversity to be held in The Hague from 8 to 19 April 2002."