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Bilag
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Journalnummer
400.C.2-0

Kontor
EUK

27. januar 2004

Til underretning for Folketingets Europaudvalg vedlægges Finansministeriets redegørelse for rådsmøde (økonomi- og finansministre) den 20. januar 2004.

P. H. Olsen



FINANSMINISTERIET

MODTAGET I UDENRIGSMINISTERIET/EU-KOORDINATIONSKONTORET

DEN 26. januar 2004

21. januar 2004
12 NHB

Referat af rådsmødet (ECOFIN) den 20. januar 2004

Dagsordenspunkt: Arbejdsprogrammet for ECOFIN i 1. halvår af 2004

Det nye formandskab (Irland) og Kommissionen præsenterede sine arbejdsprogrammer på det økonomiske og finansielle område i første halvdel af 2004. Foruden gennemgangen af de opdaterede stabilitets- og konvergensprogrammer samt løbende sager på det finansielle område og skattemrådet ville formandskabet ikke mindst prioritere Lissabon-strategien og ECOFIN's del i forberedelsen af Det Europæiske Råds forårstopmøde, herunder 'key issues' papiret, samt de kommende nye medlemslandes integration i overvågningen af den økonomiske politik.

Der var generel støtte til formandskabets prioriteter på det økonomiske og finansielle område. Der var endvidere bred støtte til, at Rådet (ECOFIN) allerede under det irske formandskab drøftede de finansielle perspektiver for 2007-2013.

Dagsordenspunkt: Stabilitets- og vækstpagten: Vurdering af opdaterede konvergens- og stabilitetsprogrammer (Danmark, Sverige, Finland og Østrig)

Rådet vedtog udtalelser (vedlagt) vedrørende konvergensprogrammerne for Danmark og Sverige samt stabilitetsprogrammerne for Finland og Østrig.

For så vidt angår Danmark gives en generelt positiv vurdering af den danske økonomi og den planlagte økonomiske politik, idet der bl.a. peges på behovet for strukturreformer på arbejdsmarkedet og kontrol med de offentlige udgifter.

For så vidt angår Sverige anføres bl.a., at det er væsentligt at fastholde den finanspolitiske strategi med overskud på 2 pct. af BNP over konjunkturcyklen, og at der derfor er behov for en fortsat stram styring af de offentlige udgifter.

For så vidt angår Finland opfordres bl.a. til, at Finland fortsat arbejder for at overholde lofterne for de offentlige udgifter og fastholder overskud på de offentlige finanser med henblik på at kunne finansiere fremtidige pensionsforpligtelser.

For så vidt angår Østrig udtales bl.a., at den mellemfristede målsætning om en saldo tæt på balance eller i overskud kun er opfyldt i årene 2004 og 2007. Budgetudviklingen vurderes at indebære en sikkerhedsmargin, der er tilstrækkelig til at undgå uforholdsmæssigt store underskud i tilfælde af en normal lavkonjunktur, men hvis de forudsete besparelser ikke materialiserer sig, risikerer den planlagte midlertidige afvigelse fra den mellemfristede målsætning at blive mere vedvarende.

Dagsordenspunkt: Wim Kok rapporten om beskæftigelsen i Europa

Der var på grundlag af en note fra Den Økonomisk-Politiske Komité (EPC) en drøftelse af Wim Kok rapporten om beskæftigelsen i Europa.

Der var generel enighed om bl.a. behovet for strukturreformer på arbejdsmarkedene med henblik på øget fleksibilitet samt væsentligheden af, at øget beskæftigelse går hånd i hånd med holdbare offentlige finanser. Der var endvidere bred støtte til, at landenes implementering af de konkrete forslag overvåges i de nationale handlingsplaner for beskæftigelse og den fælles beskæftigelsesrapport.

Disse synspunkter vil indgå i forberedelsen af 'key issues' papiret fra Rådet (ECOFIN) til Det Europæiske Råds forårstopmøde. Wim Kok rapporten ventes endvidere behandlet på rådsmødet (beskæftigelsesministre) den 4.-5. marts 2004.

Dagsordenspunkt: Direktiv om nedsat moms

Der var en drøftelse af direktivet om nedsat moms, herunder bilag H der lister de varer og ydelser, hvor medlemslandene har mulighed for at anvende nedsat moms, og mulige skadevirkninger på det indre marked.

Der blev ikke truffet konklusioner. Sagen vil være på dagsordenen igen for et kommende rådsmøde (ECOFIN).

Eventuelt

Kommissionen orienterede om status i forhandlingerne vedrørende internationale regnskabsstandarder (IAS).

Der var endvidere på et enkelt medlemslands foranledning en drøftelse af tobaksafgifter. Kommissionen bekendtgjorde at ville offentliggøre en rapport herom i 2006.

Frokost

Der var i forbindelse med rådsmødet (ECOFIN) den 20. januar 2004 en frokost-drøftelse af bl.a. Lamfalussy-proceduren. ECOFIN-ministrene godkendte en aftale om den geografiske placering af sekretariaterne for de tre komitéer for værdipapirområdet (CESR), kreditinstitusktoren

(CEBS) og forsikringssektoren (CEIOPS) under Lamfalussy-proceduren i hhv. Paris, London og Frankfurt.

A-punkter

Rådet vedtog uden drøftelse bl.a. direktiv om moms-gennemførelsesbestemmelser og procedure for vedtagelse af undtagelser.

BILAG

Rådsudtalelser vedr. konvergens- og stabilitetsprogrammerne for Danmark, Sverige, Finland og Østrig

"DENMARK - Council Opinion on the updated Convergence Programme 2003-2010

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,
Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies, and in particular Article 9 (3) thereof,

Having regard to the recommendation of the Commission,
After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 20 January 2004, the Council examined Denmark's updated Convergence Programme, which covers the period 2003-2010. The programme is rich in information, especially with regard to the amount of data provided for the analysis of medium- and long-term challenges of the Danish public finances, and complies with the Code of Conduct on the content and format of Stability and Convergence Programmes.

The strategy for public finances presented is largely unchanged and continues to focus on ensuring sustainable public finances in the medium and long term. The foundation for the strategy continues to be both the maintenance of general government surpluses of the order of 11-21% of GDP on average towards 2010, and the tax freeze, which also is intended to help ensure public expenditure control. Tax reductions on labour income are to be implemented in 2004, aiming at enhancing labour supply. Moreover, a series of labour market initiatives have been implemented. However, additional measures to raise labour supply are necessary, as acknowledged in the programme.

The update projects GDP growth to accelerate from an estimated 1.4% to above 2% in 2004 and 2005. The growth picture of the programme forecast for 2004 and 2005 is realistic and it is close to the Commission's. For 2003, the Commission services (and recently the Danish authorities) forecast a markedly lower growth.

Public finances in Denmark continue to remain sound. For 2003 to 2005 the programme update forecasts budget surpluses of 11% of GDP to 13% of GDP, which is broadly in line with the Commission's estimates. For the rest

of the period the programme projects surpluses just below 2% of GDP. Also in underlying terms public finances should remain sound over the projection period. The debt is expected to decrease from 45.5% of GDP in 2002 to 27.1% of GDP in 2010. Under plausible macro-economic and budgetary assumptions, the Stability and Growth Pact medium-term objective of a budgetary position of close to balance or in surplus is maintained over the programme period.

The budgetary stance provides a safety margin against breaching the 3% of GDP deficit threshold with normal macroeconomic fluctuations.

The achievement of the medium term public finance targets hinges on expenditure control and the realisation of a set of ambitious labour market goals, which include increasing the labour force participation rates from their already high level. The updated programme acknowledges that further labour market reforms are required in order to obtain these goals. A nonrealisation of the labour market objectives may have important implications for the projected developments of public finances, notably the available room for expenditure growth. The programme would therefore have benefited from more information about future direction of reform.

The Danish authorities intend to reduce the tax ratio in the programme period, while ensuring the sustainability of public finances. However, as stated in the Council Opinion on the 2002 update of Denmark's Convergence Programme, "the tax ratio in Denmark will remain high compared to other industrialised countries, and consideration could be given to further reductions, in a framework of sound public finances".

On the basis of current policies and the medium term projections in the updated programme, the low public debt and the large public pension funds projected would put Denmark's public finances in a good position to handle the impact of the ageing population.

The 2003 Broad Economic Policy Guidelines included recommendations to the Danish authorities to continue to make work pay by increasing incentives to join the labour force; and to ensure expenditure control at all levels of government. The economic policies as reflected in the updated convergence programme are broadly consistent with the 2003 Broad Economic Policy Guidelines, specifically those with budgetary implications."

“SWEDEN - Council Opinion on the updated Convergence Programme 2003-2006

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,
Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies, and in particular Article 9 (3) thereof,

Having regard to the recommendation of the Commission,
After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 20 January 2004 the Council examined Sweden's updated convergence programme, which covers the period 2003 - 2006. The updated programme largely complies with the data requirements of the revised “code of conduct” on the content and format of stability and convergence programmes.

The budgetary strategy underlying the update is based on a continuation of the medium term objective of a budget surplus of 2% of GDP on average over the cycle, aimed at preparing for the expected budgetary impact of the ageing of the population and the sustainability of public finances in the long-term. The planned return to a general government surplus of 2% of GDP beyond 2006 relies in particular on a decline in the expenditure-to-GDP ratio from 2004 onwards (it is expected to rise in 2003), but also on a decline in the revenue-to-GDP ratio from 2005 onwards (it is expected to rise in 2003 and remain unchanged in 2004).

The update projects real GDP growth to accelerate from an estimated 1.4% in 2003 to 2.0% in 2004. In 2005 and 2006, growth is estimated to be 2.6% and 2.5%, respectively. Employment growth is expected to pick up from 0.1% in 2004 to 0.7% in 2005 and 2006. CPI inflation is forecast to gradually increase from 1.3% in 2004 to slightly above 2% by 2006. On the basis of currently available information, the macroeconomic scenario underlying the update seems realistic and is in line with the Commission evaluation, including the autumn forecast.

The update targets a general government surplus of 0.6% of GDP in 2004, compared with an expected surplus of 0.4% in 2003. In cyclically-adjusted terms, based on Commission calculations according to the commonly agreed methodology, there is an improvement in the surplus from 0.5% to 1% of GDP. For 2005 and 2006, the projections are for headline surpluses of 1.4% and 1.9% of GDP respectively. In cyclically-adjusted terms, the corresponding surpluses would amount to 1.8% and 2.3% of GDP respectively. The debt ratio is projected to decline gradually, from 51.7% in 2003 to 48.3% in 2006. Under plausible macroeconomic and budgetary assumptions, the Stability

and Growth Pact's medium-term objective of a budgetary position of close to balance or in surplus should be maintained throughout the programme period.

The budgetary stance in the programme provides a sufficient safety margin against breaching the 3% of GDP deficit threshold with normal macroeconomic fluctuations.

However, on the basis of the Commission's analysis and the estimates in the 2003 update, the cyclically adjusted budgetary position is expected to be in surplus although up to 2005 it is below the medium term objective of 2% of GDP. This results from the fact that the considerable fiscal stimulus in 2002 is only partially reversed in the following years. Strict expenditure control therefore remains important in this respect, not least by ensuring continued adherence to the expenditure ceiling in 2004, 2005 and 2006.

On the basis of current policies, Sweden should be able to meet the projected budgetary costs of an ageing population. However, the increase of health care expenditure, including expenditure related to ill health, foreseen in the projections needs to be addressed as the update notes that further measures are necessary in order to achieve the target of half the number of sick days. Moreover, according to the Commission's analysis the medium term target has to be reached; failure to do so can determine some budgetary imbalances in the very long term.

The economic policies as reflected in the updated programme are broadly consistent with the recommendations in the Broad Economic Policy Guidelines, specifically those with budgetary implications. Completing the tax reform, and efforts to reach the key policy objectives of raising employment, reducing the number of social security recipients and days of sick-leave should be given priority within the framework of sound public finances."

“FINLAND - Council Opinion on the updated Stability Programme 2003-2007

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,
Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and co-ordination of economic policies, and in particular Article 5 (3) thereof,

Having regard to the recommendation of the Commission,
After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 20 January 2004 the Council examined Finland's updated stability programme, which covers the period 2003-2007. The updated programme complies with the data requirements of the revised “code of conduct” on the content and format of stability and convergence programmes.

The budgetary strategy underlying the update is based on keeping the expenditure-to-GDP ratio unchanged throughout the programme period, while the revenue ratio, after a temporary decline in 2004, is to resume a gradual upward trend towards the end of the programme period. The government's budgetary strategy objective is to have central government finances in balance by 2007; however, according to the programme this target will not be achieved under the current medium-term projections.

The macroeconomic scenario presented in the 2003 updated stability programme projects a strengthening of economic activity from 1.4% in 2003 to 2.7% in 2004, which appears warranted in the light of most recent data. Subsequently, GDP growth is expected to reach its trend rate, averaging 2.5% between 2005 and 2007. Employment, falling by 0.2% in 2003, is expected to go up by 0.3% on average in 2004-2007. Inflation is forecast to rise gradually from 1.0% in 2003 towards 1.8% by 2007. The near-term projections are closely in line with the Commission's Autumn 2003 forecast. Given the assumption of a favourable external environment, the projected stabilisation of GDP growth in the later years of the programme represents a rather cautious view.

The programme projects a substantial decline in the general government surplus from 4.2% of GDP in 2002 to 2.3% in 2003 and below 2% in 2004⁵. For the later years of the programme a surplus of 2% or above is to be restored, in line with the newly defined expenditure ceilings. Both the central government and to a smaller degree local governments account for the trend weakening of the financial position between 2003-07, while the social security funds will be upholding the surplus at the general government level. The projected decline in the cyclically adjusted surplus by 0.6 percentage points of

GDP between 2003-05 is partly due to direct (income) and indirect (alcohol) tax cuts and lower receipts from corporate taxes. The cyclically adjusted surplus is seen to fall from 4.3% of GDP in 2002 to 3.0% in 2003 and further in 2004 to 2.4%. In 2005 and beyond the cyclically adjusted surplus will stabilise over 2% of GDP. These are broadly in line with the Commission cyclically adjusted balance calculations. In spite of the higher than expected outcome in 2002, the general government debt to GDP ratio is projected to continue to decline modestly, from 45.1% of GDP in 2003 to 44.6% of GDP in 2007.

In spite of the expected persistent small deficits in central and local government finances, the budgetary stance in the programme of running a comfortable general government surplus provides sufficient safety margin against a breach of the 3% of GDP reference value for the government deficit in normal cyclical fluctuations.

The decline in the government surplus is mainly due to higher-than-planned income tax cuts in 2000-04 and higher-than-planned discretionary spending at central government level in 2001-03. The previous high surpluses have created some additional fiscal room for manoeuvre, such that under plausible macro-economic and budgetary assumptions, the Stability and Growth Pact's medium-term objective of a budgetary position of close-to balance or in surplus should be maintained over the programme period. However, a tendency of exceeding the medium-term spending guidelines, as observed in the past, constitutes a risk to the government's budgetary strategy. Therefore, the multi-annual spending limits introduced by the new government which are now more binding should help to keep expenditure under control.

The stability programme pays due attention to the sustainability of public finances. On the basis of current policies, public finances appear to be on a sustainable footing to meet the budgetary costs of ageing populations, benefiting from the sustained running of budget surpluses, and a reformed pension system that is to a large extent pre-funded. Sustainability should also be underpinned by reforms, both planned and underway, which aim at raising the employment rate, and the Finnish authorities should proceed with their implementation according to the time frame indicated in the stability programme.

The recent tax cuts and some further measures planned are intended not only to boost employment and job creation, but also to stem the erosion of tax bases as a consequence of their increasing international mobility of production factors (labour and capital). In order to safeguard the achievements of the past decade of placing public finances on a sustainable path, strict compliance with the newly defined expenditure ceilings will be all the more crucial.

The economic policies as presented in the updated programme are broadly consistent with the Broad Economic Policy Guidelines, specifically those

with budgetary implications, which recommended for Finland, inter alia, the introduction of multi-annual spending limits and the reduction of the high level of structural unemployment.”

**“AUSTRIA - Council Opinion on the updated Stability Programme
2003-2007**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,
Having regard to Council regulation (EC) No. 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, and in particular Article 5(3) thereof,
Having regard to the recommendation of the Commission,
After consulting the Economic and Financial Committee,

HAS DELIVERED THIS OPINION:

On 20 January 2003 the Council examined the updated stability programme for Austria which covers the period 2003-2007. The programme was submitted on 18 November 2003 and largely complies with the revised “code of conduct on the content and format of stability and convergence programmes”. However, more quantitative information, as contained in the twin budget 2003/2004, with detailed estimates for individual budgetary measures, would have proved useful and should have been included.

The budgetary strategy of the updated programme remains unchanged, with a distinct longterm focus. Substantial structural savings combined with sizeable tax cuts, while causing a temporary widening of the cyclically-adjusted deficit in 2005, should entail a steady decline in expenditure and revenue ratios and in the debt ratio.

By and large, the macro-economic scenario in the update appears realistic. However, the acceleration in employment growth to 0.6% (ESA95 definition) in 2004 could lean towards the optimistic side, given the usual time-lag of labour demand to a cyclical upturn of activity. Moreover, real GDP growth in 2006 and 2007 would remain above potential. The implicit closing of the output gap, however, would not seem implausible after a period of sluggish growth, due to the positive impact of recent and ongoing structural reforms and enlargement, given that macroeconomic imbalances are absent in the Austrian economy.

The update maintains the budgetary targets set in the previous programme. The cyclicallyadjusted balance, based on Commission calculations according to the commonly agreed methodology, is set to deteriorate by 0.9 percentage points to 1.0% of GDP in 2003 and, after a temporary improvement, by 1.0 percentage point to 1.4% of GDP in 2005 due to tax cuts. Despite narrowing thereafter, the cyclically-adjusted deficit will decline to 0.5% of GDP only in 2007. Thus, the cyclically-adjusted deficit is close to balance only in the years 2004 and 2007.

Under plausible macroeconomic and budgetary assumptions, the Stability and Growth Pact medium-term objective of a budgetary position of close to balance or in surplus may not be achieved over the programme period. Although downside macroeconomic risks seem to balance with the better-than-targeted budgetary outcome in 2003 with knock-on effects on subsequent years, risks regarding expected savings and surpluses from lower government levels are non-negligible. Moreover, if the announced expenditure savings were only partly implemented or did not materialize as intended, the planned temporary departure from the medium-term target might turn out to be persistent. The budgetary stance in the updated programme provides a sufficient safety margin against breaching the 3% of GDP deficit ceiling with normal macroeconomic fluctuations.

The government gross debt is expected to decrease steadily from 66.7% of GDP in 2002 to just below 60% in 2007. This forecast hinges crucially on the nominal GDP growth assumptions and sizeable proceeds from planned privatisations. Should any of these factors fall short of expectations, even if only by a small margin, the debt-to-GDP-ratio would not fall below the 60% reference value also in 2007.

After the 2003 pension reform, Austria appears to be in a considerably better position than before to meet the budgetary costs of an ageing population. This evaluation, however, needs to be confirmed by actual developments. First, projections assume a reform-induced strong increase in participation rates. Second, the 10 percent cap on benefit losses compared with the status quo ante renders long-term budgetary effects rather uncertain. Moreover, exonerating effects on government finances are delayed due to a long transition period for abolishing early retirement until 2017.

Economic policies as reflected in the update are only partly consistent with the recommendations in the Broad Economic Policy Guidelines, specifically those with budgetary implications. Specifically, "a cyclically-adjusted budgetary position close to balance" is only partly respected. Moreover, in 2005 the general guideline to "avoid pro-cyclical policies" may not be observed. Although the planned reduction of the high tax burden is in principle an appropriate step to render supply side conditions more growth-friendly, revenue reductions should be accompanied by corresponding expenditure restraint. As concerns Länder and communities, the update is silent on "structural expenditure savings, (also) at lower levels of government", which are required to attain permanent surpluses, an obligation enshrined in a national stability pact."

