

Brussels, 6 October 2008

Preparation of Eurogroup and Economic and Finance Ministers Council, Luxembourg, 6 and 7 October 2008

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EUROGROUP (AT)

Eurogroup ministers will meet at 17:00 hrs on Monday 6 October. Joaquín Almunia, Commissioner responsible for Economic and Monetary Affairs will attend as will European Central Bank Governor Jean-Claude Trichet. A press conference is expected to take place after the meeting.

Ministers will discuss the economic situation, with particular attention to the financial market crisis. The economic situation and outlook for the euro area have turned exceptionally uncertain in the most recent weeks. The crisis in financial markets has deepened, with many key credit markets barely functioning and central banks having stepped up their efforts to avert a global liquidity squeeze. This comes on top of inflation pressure due to elevated commodity prices, notwithstanding the fall in inflation since August, and severe housing market corrections in some Member States. The Commission, on 10 September, revised downwards its economic growth forecasts for 2008. At the time it was stressed that risks to the growth outlook were on the downside. The dramatic events in financial markets in the last few weeks are reinforcing that view.

For the latest survey and economic data see Key Indicators for the Euro Area at: http://ec.europa.eu/economy_finance/db_indicators/db_indicators9237_en.htm

Among other things, Ministers will resume discussions on the conclusions contained in the EMU@10 communication and report of the Commission on 10 years of Economic and Monetary Union with a particular emphasis on the external dimension and governance of the euro area (for EMU@10 report and communication

see [IP/08/716](#)).

ECOFIN COUNCIL

The Council of Economics and Finance Ministers will formally start at 10.00 hrs on Tuesday 7 October. The working breakfast will start at 08:30. The ECOFIN meeting will be attended by Commissioner Joaquín Almunia, Internal Market and Services Commissioner Charlie McCreevy and Taxation and Customs Union Laszlo Kovacs. A press conference is expected to take place after the meeting.

Preparation of annual Washington meetings (AT)

Over breakfast, Ministers will prepare the forthcoming Annual Meetings of the International Monetary Fund (11-13 October). The discussion is set to focus on the prospects of the world economy and policy options to forestall a deeper crisis. EU Ministers will also focus on the Generally Accepted Principles and Practices for Sovereign Wealth Funds, which will be endorsed by the IMFC. Once approved the GAPP will be available on the dedicated SWF Fund website, see <http://www.iwg-swf.org>. In view of the ongoing financial crisis, Ministers will also discuss the IMF reform and policy agenda although the current IMFC agenda does not foresee any decisions at this stage. Ministers are rather expected to give guidance to the IMF on issues such as surveillance, lending facilities and IMF governance.

Executive pay (OD)

Also over breakfast, Ministers will have an exchange of views on whether executive pay is appropriately linked to performance and whether shareholders are given adequate control over directors' remuneration. Ministers will examine whether, in view of the developments regarding executive pay in the last years, the effectiveness of some existing provisions warrant further examination and possibly policy at the national level, taking into account the different regulatory frameworks in Member States. The main issue is the perceived lack of linkage between performance and pay. In the context of the financial turmoil, a key issue is whether incentives in remuneration structures may have encouraged executives to focus on short-term profit targets, rather than on the sustainable profitability of companies.

Executive pay has been in the focus of the Commission's activity in the field of corporate governance over the past few years. In particular, the Commission adopted a Recommendation on fostering an appropriate regime for the remuneration of directors in 2004 aiming at increasing transparency and strengthening corporate governance checks on remuneration. A Commission report was issued in 2007 to evaluate whether Member States have put in place the measures to give effect to the principles of the Recommendation, which can be found at:

http://ec.europa.eu/internal_market/company/directors-remun/index_en.htm

Preparation of the European Council (15-16 October) (AT)

- *Economic situation (including EMU at 10)*

The economic situation and outlook for the European Union have turned exceptionally uncertain in the most recent weeks. The crisis in financial markets has deepened, with many key credit markets barely functioning and central banks having stepped up their efforts to avert a global liquidity squeeze. This comes on top of inflation pressure due to elevated commodity prices, notwithstanding the fall in inflation since August, and severe housing market corrections in some Member States. The Commission, on 10 September, revised downwards its economic growth forecasts for 2008. At the time it was stressed that risks to the growth outlook were on the downside. The dramatic events in financial markets in the last few weeks are reinforcing that view.

Ministers are also expected to agree conclusions on aspects of the Commission's EMU@10 report in particular on increased governance and coordination, which are proving particularly crucial as they work on a coordinated EU response to the crisis and to the economic slowdown.

- *Oil market developments and policy responses (FT-AT)*

ECOFIN ministers will discuss developments in the oil market and the appropriate policy responses to high oil prices on the basis of a report by the Presidency, in cooperation with the Commission. The discussion is a preparation for the October European Council. The major policy response must be to press ahead with long-term structural measures that will facilitate the structural adjustment towards a low carbon and highly energy-efficient economy. This does not prevent short-term and targeted policy measures to help alleviate the impact of high prices on the most vulnerable groups of population. However, it remains vital to refrain from distortionary policies that could hinder or delay the adjustment to the new price levels, as agreed in Manchester and confirmed by the Ministers at the June ECOFIN meeting. An active policy to improve energy efficiency can facilitate the necessary adjustments. An adoption by the Council and the European Parliament of the energy and climate package submitted in January 2008 is also essential in this context. The Commission and the EIB will also present possible actions to support investments in the fields of energy efficiency, use of renewable energy sources and more environmentally-friendly use of fossil fuels.

Financial services (OD)

- *Solvabilité II*

In July 2007 the European Commission proposed a ground-breaking revision of EU insurance law designed to improve consumer protection, modernise supervision, deepen market integration and increase the international competitiveness of European insurers. Under the new system, known as 'Solvency II', insurers would be required to take account of all types of risk to which they are exposed and to manage those risks more effectively. In addition, insurance groups would have a dedicated 'group supervisor' that would enable better monitoring of the group as a whole. The aim is to have the new system in operation in 2012. Ministers will continue discussions of the proposals ([IP/07/1060](#))

- Financial stability and financial supervision

Ministers will continue discussions which took place at the Informal ECOFIN of Nice of 12-13 September 2008 on Financial Stability and Financial supervision. They will be looking at the need for a full and timely implementation of the October 2007 roadmap, and in particular the need to pursue the work to improve transparency in the banking sector and to make swift progress on accounting valuation at international level. They will also take stock of the implementation of the Council conclusions of 14 May 2008 in relation to supervisory convergence.

Fiscality (MA)

- Combating VAT fraud

a) Speeding up exchange of information on Intra-Community supplies

The French Presidency will seek political guidance from the Council on the Commission's proposal to tackle more effectively carousel VAT fraud by speeding up to one month the submission of recapitulative statements and exchange of information on intra-Community transactions ([IP/08/454](#)). When an intra-Community transaction takes place, it currently takes between three to six months for information about that transaction to be sent to the Member State in which the VAT is due, which leads to abuse by fraudsters.

2) EUROFISC

The Presidency will try to reach Council conclusions on some guidelines for the creation, at European level, of a decentralised network for exchanging tax information (EUROFISC). This network should facilitate the exchange of information between national tax authorities and rapidly obtain information gathered in other Member States on certain fraudulent transactions or fraudulent traders,

- Reduced VAT rates

Following the September informal ECOFIN, the Ministers will continue their discussion on the effectiveness of lower VAT rates in order to promote specific policy purposes, and in particular on their budgetary impacts, based on some documents prepared by the Commission. The Presidency will try that the discussion should provide common guidelines on the way forward in the field of VAT reduced rates.

EURO-MED and FEMIP meeting

Following the ECOFIN meeting, EU finance ministers will hold a meeting with their counterparts from FEMIP (Facilité Euro-Méditerranéenne d'Investissement et de Partenariat). The meeting is expected to discuss the general economic situation in the Euro-Mediterranean region and to follow up to the July Paris Summit for the Mediterranean. It will be co-chaired by Youssef Boutros Ghali, Minister of Finance of Egypt.

For background on Euro-Mediterranean relations see :

http://ec.europa.eu/external_relations/euromed/conf/index.htm

For background on Neighbourhood Policy, see:

http://ec.europa.eu/economy_finance/int_economic_issues/int_economic_issues198_en.htm

For background on FEMIP see EIB website:

<http://www.eib.org/projects/regions/med/index.htm>