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**COUNCIL OF
THE EUROPEAN UNION**



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3062nd Council meeting

Economic and Financial Affairs

Brussels, 18 January 2011

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Main results of the Council

*The Council kicked off the 2011 "European Semester", examining the Commission's **annual growth survey** and drawing lessons from an assessment of the member states' draft **national reform programmes**.*

The "European Semester" is implemented for the first time this year as part of a reform of EU economic governance; it is aimed at ensuring better-coordinated and more effective policies for putting Europe's economy on a path to sustainable growth.

*The Council also discussed the follow-up to the December European Council as regards the strengthening of EU **economic governance** and the establishment of a new mechanism to ensure the **stability of the euro area**.*

Economic governance was cited as a key priority by the Hungarian presidency, which presented its work programme to the Council. The presidency stated its goal of reaching agreement on six legislative proposals on economic governance by the end of March.

*The Council also approved **visa facilitation and readmission agreements with Georgia**, both entering into force on 1 March 2011. The visa facilitation agreement will make it easier and cheaper for Georgian citizens to acquire short stay visas (up to 90 days per period of 180 days) for travel to and throughout the EU.*

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
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Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Thomas WIESER

Chairman of the Economic and Financial Committee

Mr Lorenzo CODOGNO

Chairman of the Economic Policy Committee

ITEMS DEBATED

PRESIDENCY WORK PROGRAMME

The Council took note of the presentation by the Hungarian presidency of its work programme on economic and financial matters for its term of office (January to July 2011) ([18048/10](#)). The Council held an exchange of views.

In its programme, the presidency cites as a key priority the conclusion of an agreement in the Council by the end of March on six legislative proposals aimed at strengthening EU economic governance.

It outlines its schedule for implementation of the first *European Semester*, with conclusions to be adopted in February on fiscal and macroeconomic challenges, followed by a report to the European Council in March. The *European Semester* is aimed at ensuring better-coordinated and more effective policies for putting Europe's economy on a path to sustainable growth.

The presidency also announces continued progress with financial sector reforms. At international level, the presidency plans to focus on further developing the EU's relations with its Eastern neighbours (Eastern Partnership), notably by strengthening bi- and multilateral cooperation among member states and partner countries and the participation and cooperation of international financial institutions. It also announces work on a common position on long-term climate change financing issues.

Furthermore, the presidency intends to continue work on taxation of the finance industry, and to make progress on the taxation of savings interest. As regards the EU budget, it is committed to working in close cooperation with the other EU institutions on a package of measures necessary for implementing the Treaty of Lisbon. It also announces work on proposals for a review of the "financial regulation", a regulation on principles and procedures for implementation of the EU budget.

SINGLE MARKET

The Council held an exchange of views¹ on the further development of the EU's single market, in the light of a communication from the Commission, entitled "*Towards a single market act for a highly competitive social market economy*" ([13977/1/10 REV 1](#)).

It agreed to re-examine the issue in due course.

The Commission's communication presents 50 proposals for improving the functioning of the single market, on the basis of a report by Mario Monti, ex-European commissioner and president of Bocconi University (Milan)². These are set out under a "single market act", a two-year plan to be completed by the end of 2012 to coincide with the 20th anniversary of the single market.

The Commission has submitted its communication to a public consultation until the end of February. The Competitiveness Council adopted conclusions on 10 December.

¹ This item was included on the agenda at the request of the United Kingdom delegation.

² http://ec.europa.eu/bepa/pdf/monti_report_final_10_05_2010_en.pdf

FOLLOW-UP TO THE DECEMBER EUROPEAN COUNCIL

The Council took note of the presidency's plans for the follow-up to the European Council's meeting on 16 and 17 December.

At its December meeting, the European Council called for work on legislative proposals aimed at strengthening EU economic governance to be accelerated, so that they can be adopted by June this year.

ANNUAL GROWTH SURVEY

The Council took note of a presentation by the Commission on the main elements of its annual growth survey published on 12 January (18066/10). It held an exchange of views.

The Commission's survey outlines priority actions to be taken by member states in order to ensure better-coordinated and more effective policies for putting Europe's economy on a path to sustainable growth.

It sets out priorities in three main areas:

- enhancing macroeconomic stability: implementing budgetary consolidation, correcting macroeconomic imbalances and ensuring the stability of the financial industry;
- structural reforms for boosting employment: making work more attractive, reforming pension systems, getting the unemployed back to work and balancing security and flexibility on labour markets;
- growth-enhancing measures under the "Europe 2020" strategy for jobs and growth: tapping the potential of the EU's single market, attracting private capital to enhance growth and creating cost-effective access to energy.

The Commission's overall assessment and view of the main challenges was broadly shared by delegations. The Council asked the Economic and Financial Committee and Economic Policy Committee to work intensively on the dossier. The presidency's intention is for the Council to adopt conclusions at its meeting (Economic and Financial Affairs) on 15 February.

The annual growth survey constitutes, along with a review of draft national reform programmes (see page 11), first steps in implementation of the so-called "European semester", which involves simultaneous monitoring of the member states' budgetary policies and structural reforms, in accordance with common rules, during a six-month period every year.

At its meeting on 24 and 25 March, the European Council is due to provide guidance to the member states for finalisation of their stability and convergence programmes (budgetary policies) and national reform programmes (structural reforms).

The European semester is implemented for the first time this year as part of a reform of EU economic governance.

NATIONAL REFORM PROGRAMMES

The Council discussed, on the basis of an assessment by the Economic Policy Committee, draft national reform programmes (NRPs) presented by the member states. Ministers committed themselves to rectifying difficulties with the draft NRPs, as identified by the EPC.

The programmes are required, under the EU's economic governance arrangements, to enable multilateral surveillance of the member states' economic policies. They should normally contain a macroeconomic scenario for the medium term, national targets for translating headline targets set under the "Europe 2020" strategy for jobs and growth, identification of the main obstacles to creating growth and jobs, and measures for concentrating growth-enhancing initiatives in an early period.

Review of the draft programmes constitutes, along with the annual growth survey (see page 10), first steps in implementation of the so-called "European semester", which involves simultaneous monitoring of the member states' budgetary policies and structural reforms, in accordance with common rules, during a six-month period every year.

At its meeting on 24 and 25 March, the European Council is due to provide guidance to the member states for finalisation of their stability and convergence programmes (budgetary policies) and national reform programmes (structural reforms).

The European semester is implemented for the first time this year as part of a reform of EU economic governance.

EXCESSIVE DEFICIT PROCEDURE - MALTA

The Council discussed a Commission communication assessing the action taken by Malta in response to the Council recommendation of 16 February 2010 based on article 126(7) to bring to an end the situation of excessive deficit at the latest by 2011.

The Council shares the Commission's view that, based on current information, Malta has taken action representing adequate progress towards the correction of the excessive deficit within the time limit set by the Council. In particular, the Maltese authorities have taken fiscal consolidation measures to correct the excessive deficit by 2011, while ensuring an adequate fiscal effort in 2011. Against this background, the Council considers that at present no further steps under the excessive deficit procedure are necessary.

At the same time, the Council notes that in spite of a better macroeconomic environment than expected in the Council recommendations, there was no acceleration in the reduction of the deficit in 2010. In addition, considerable downside risks exist to the achievement of the 2011 deficit target. In this context, the Council calls for rigorous execution of the budget and close monitoring of budgetary developments in order to take corrective measures if needed to ensure that the deficit target of 2.8% of GDP is reached in 2011. Furthermore, further steps should be taken to strengthen the binding nature of the medium-term budgetary framework and improve the long-term sustainability of public finances, as requested by the Council in its recommendations and invitations.

INTRODUCTION OF THE EURO IN ESTONIA

The Council was briefed by the Estonian minister on the introduction of the euro in his country on 1 January. The Commission and the European Central Bank provided additional information; the Commission is due to produce in the coming months a full report on the changeover.

Like Slovakia in 2009, Cyprus and Malta in 2008 and Slovenia in 2007, Estonia put euro notes and coins into circulation at the same time as adopting the euro as its official currency, whereas the other 12 euro area member states introduced the euro in two stages (in 1999 and 2002).

Dual circulation of the euro and the Estonian kroon ended on 14 January, and kroons can be exchanged for euros until the end of June.

The Estonian authorities report a smooth changeover. Stocks of notes and coins were in place in good time before the changeover. Almost all ATMs were distributing euros within 15 minutes of the changeover. All electronic banking operations and card payments were functioning in euros within 24 hours. By 5 January, the majority of cash payments were being made in euros. By 10 January, the value of euro cash in circulation exceeded that of Estonian kroon still in circulation.

MEETINGS IN THE MARGINS OF THE COUNCIL

The following meetings were held in the margins of the Council:

- ***Euro Group***

Ministers of the euro area member states attended a meeting of the Euro Group on 17 January.

- ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation, as well as stress tests in the banking sector.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Derogation from the VAT directive for the United Kingdom

The Council adopted a decision authorising the United Kingdom to continue applying a measure derogating from directive 2006/112 on the EU system of value-added taxation (VAT) ([17507/10](#)).

The decision allows the UK, by way of derogation from articles 26(1)(a), 168 and 169 of the VAT directive, to continue restricting the right of VAT deduction on the hire or leasing of vehicles not entirely used for business purposes.

Taxation of motor fuels in France

The Council adopted a decision authorising France to apply reduced rates of taxation to unleaded petrol and gas oil used as fuel ([17877/10](#)).

Implementing measures for EU system of value added tax

The Council reached political agreement on a draft regulation laying down new implementing measures for directive 2006/112 on the EU system of value added tax (VAT) (*16805/10 + 16805/10 COR 1*).

The draft regulation, which recasts regulation 1777/2005, clarifies certain aspects of the VAT directive (2006/112/EC) with the objective of ensuring better compliance with the objectives of the EU internal market.

It provides for:

- implementing measures for directive 2008/8/EC as regards the place of supply of services;
- adaptation of regulation 1777/2005 to the VAT directive after its recast in 2006;
- implementing measures for other elements of the VAT directive.

The regulation will be adopted without discussion at a forthcoming Council meeting.

BUDGETS

Adapting of the EU's budget rules to the Treaty of Lisbon

The Council decided to forward a draft Council regulation laying down the multiannual financial framework for the years 2007-2013 to the European Parliament for its consent (*16973/3/10 REV 3*). It also decided to forward to the Parliament the Council's position on a draft inter-institutional agreement (*16974/10*).

The two texts are aimed at adapting the EU's current budgetary rules to the provisions of the Treaty of Lisbon. They also take into account the European Parliament's wish to maintain flexibility in the management of the multiannual financial framework by providing for a "contingency margin" amounting to up to 0.03% of EU gross national income as a last resort should unforeseen circumstances arise. This contingency margin would be mobilised by a qualified majority vote of the Council and the support of a majority of the European Parliament's members and three fifths of the votes cast.

FOREIGN AFFAIRS

CFSP budget for 2011 and 2012

The Council took note of a report providing guidance for financing in 2011 and 2012 from the budget of the EU's Common Foreign and Security Policy (CFSP).

The report recommends ensuring that allocations under the CFSP budget are based on real, predictable needs, and that an adequate margin for contingencies and unforeseen actions is provided for.

JUSTICE AND HOME AFFAIRS**Agreements with Georgia on visa facilitation and readmission**

The Council concluded agreements with Georgia on visa facilitation and on readmission, both entering into force on 1 March 2011.

The visa facilitation agreement will make it easier and cheaper for Georgian citizens to acquire short stay visas (up to 90 days per period of 180 days) for travel to and throughout the EU.

For details, see press release [5412/11](#)

CONSULAR AFFAIRS**European emergency travel document**

The Council approved conclusions inviting the Commission to make a proposal for the production of a new European emergency travel document that contains security features in line with current practices, updating the features described in decision 96/409/CFSP.

An emergency travel document allows EU citizens in distress to return swiftly to their places of residence even if they have lost their passports and/or other relevant permanent travel documents.

GENERAL AFFAIRS**Eurostat study on the long-term budgetary implications of pension costs – *Conclusions***

The Council adopted conclusions set out in [18250/10](#).

TRADE POLICY**Switzerland and Liechtenstein – Protection of geographical indications for food**

The Council adopted a decision approving the signing of an agreement with Switzerland on the protection of designations of origin and geographical indications for agricultural products and foods, amending an existing agreement ([16196/10](#) + [16199/10](#)).

The new agreement is aimed at promoting the development of designations of origin and geographical indications for agricultural products and foods and facilitating bilateral trade in those products.

The Council also adopted a decision establishing the EU's position on adaptation of annex 3 to the EU-Switzerland agreement on trade in agricultural products ([16270/10](#)).

The modifications are intended to take into account the full liberalisation in bilateral trade in cheeses and the protection of geographical indications, to be provided for in a new annex 12 to the agreement.

Furthermore, the Council adopted a decision approving the signing of an agreement extending to Liechtenstein the EU's agreement with Switzerland on trade in agricultural products ([16207/10](#) + [16210/10](#)).

Anti-dumping - Polyethylene terephthalate film – India

The Council adopted a regulation amending regulation 1292/2007 imposing a definitive anti-dumping duty on imports of polyethylene terephthalate (PET) film originating in India ([18160/10](#)).

CUSTOMS UNION

Andorra - Customs security measures

The Council authorised the signing and provisional application of a protocol extending the scope of the EU's agreement with Andorra to cover customs security measures ([17403/10](#)).

TRANSPORT

Interoperability of the European rail system

The Council decided not to oppose adoption by the Commission of two legislative acts concerning the EU's directive on the interoperability of the European rail system, namely:

- a directive amending the list and description of subsystems and provisions on the declaration of verification and the verification procedure for subsystems set out in the annexes to the directive ([16431/10](#));
- a decision on the publication and management of a document cross-referencing and classifying national rules for placing railway vehicles in service ([17294/10](#)).

The two draft acts are subject to the regulatory procedure with scrutiny; now that the Council has given its consent, the Commission may adopt them, unless the European Parliament objects.

Declaration of conformity for railway vehicles

The Council decided not to oppose adoption by the Commission of a regulation setting out a model to be used for declaring that a railway vehicle conforms to an authorised type ([16402/10](#)).

The draft regulation is subject to the regulatory procedure with scrutiny; now that the Council has given its consent, the Commission may adopt it, unless the European Parliament objects.

APPOINTMENTS

Committee of the Regions

The Council appointed Dr. Christian BUCHMANN (Austria) ([17879/10](#)); Mr Hans KOK, Mr Henk KOOL and Mr Sipke SWIERSTRA (Netherlands) ([17909/10](#)) and Mr Tadeusz TRUSKOLASKI (Poland) ([18052/10](#)), as members of the Committee of the Regions for the remainder of the current term of office, which runs until 25 January 2015.

WRITTEN PROCEDURE

Total allowable catches (TACs) and quotas for 2011

The Council adopted by written procedure on 18 January 2011 the regulation fixing for 2011 the fishing opportunities for certain fish stocks and groups of fish stocks, applicable in EU waters and, for EU vessels, in certain non-EU waters ([17546/10](#)). The regulation was adopted by qualified majority, with the Spanish delegation voting against.

During the Council meeting on 13 and 14 December 2010, ministers reached a political agreement on this regulation on the basis of a presidency compromise, drawn up in agreement with the Commission ([17836/10](#)).

This regulation establishes fishing opportunities for 2011 for EU vessels in the waters of the Atlantic, the Channel and the North Sea baring in mind a number of clear guiding principles:

- where long-term management plans are in place, no derogations are allowed;
- gradual steps are taken to reach maximum sustainable yield for all stocks by 2015.

The Council and Commission statements and unilateral statements by delegations are published separately ([5038/11](#); 5139/1/11).