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Economic and Financial Affairs

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President **Zdravko Marić**
Minister for Finance of Croatia

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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>).
- 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 Council's internet site or may be obtained from the Press Office.

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ITEMS DEBATED

Croatian presidency work programme

The Croatian presidency presented its priorities for economic and financial affairs (Ecofin) for the duration of its term, which runs from January to June 2020.

In the area of Ecofin, the Croatian presidency will have the following priorities:

- promoting initiatives that encourage reform processes and convergence among member states;
- strengthening the EMU and the international role of the euro;
- further development of the Capital Markets Union;
- implementing initiatives that support the deepening of the single market;
- promoting measures and activities aimed at mitigating the negative fiscal effects of demographic trends;
- promoting a transparent, efficient and sustainable taxation system that contributes to the single market;
- more efficient and better equipped customs services at the EU's external borders.

[Programme of the Croatian presidency](#)

European green deal

Ministers discussed the financial and economic aspects of the [European green deal](#). The Commission presented its communication on the Sustainable Europe Investment Plan published on 14 January 2020.

During the debate, ministers stressed the importance and relevance of the European green deal and their readiness to examine, as a matter of priority, the concrete actions put forward by the Commission under the deal in the months to come.

The [Sustainable Europe Investment Plan](#) aims to mobilise at least EUR 1 trillion of investments over the coming decade. The Commission proposes to achieve this by drawing on the EU's budget, through a Just Transition Fund, as well as bringing in private funding by leveraging guarantees under the InvestEU programme. The plan also envisages a greater role for the EIB in financing sustainable projects.

In addition, the Commission proposed a Just Transition Mechanism, also under the umbrella of the Sustainable Europe Investment Plan. The objective of this mechanism is to support citizens and regions that are most affected by the green transition and thereby ensure that the transition is carried out in a socially fair and inclusive way. It will consist of three pillars:

- a [Just Transition Fund](#)
- a dedicated Just Transition scheme under InvestEU
- a new public sector loan facility for additional investments to be leveraged by the EIB.

These measures will be accompanied by technical assistance and advisory support to the affected regions.

Implementing the European green deal will also have implications on taxation and budget rules. As part of the MFF negotiations, the Commission has proposed to mobilise new own resources of the EU, for example by creating a tax on non-recycled plastic packaging waste, or by allocating some of the auction revenues from the EU's emissions trading system to the EU budget. The EU will also look at modernising its energy taxation framework and consider introducing a carbon border tax; Commission proposals are expected on both issues in the course of 2021.

The Commission's communication also calls for national budgets to play their role in the transition. In that regard, the Commission plans to include a reference to green public investment in its review of the European economic governance framework expected in the coming weeks.

Finally, the Commission plans to put forward a renewed sustainable finance strategy in the third quarter of 2020. It will build on the recently agreed reforms, most notably the sustainable finance taxonomy, the adoption of which is expected in the first half of 2020. The Commission is expected to review the non-financial reporting directive to increase businesses' transparency on climate and environmental data for investors. The strategy should also look at how to better manage and integrate climate risks into the financial system, in particular by assessing the suitability of existing capital requirements for green assets.

European Semester 2020

The Council initiated the annual European Semester process for the monitoring of the member states' economic, employment and fiscal policies.

The Commission presented three documents:

- an [annual sustainable growth strategy](#), highlighting the main challenges for 2020;
- an [alert mechanism report](#), marking the starting point of the annual macroeconomic imbalance procedure;
- a [draft Council recommendation on the economic policies of the euro area](#).

The Council is scheduled to approve the recommendation and adopt conclusions on the two reports at a meeting on 18 February 2020. The recommendation will then be endorsed by the **European Council** at its March meeting.

The 2020 European Semester will conclude in July with the adoption of country-specific recommendations.

Annual sustainable growth strategy

The Commission's report is the starting point of the 2020 European Semester. It outlines the most pressing priorities on which the EU and the member states should focus in the economic and social field.

The report replaces the annual growth survey; as of this year it sets out a new strategy on how to address not only short-term economic challenges but also the economy's longer-term challenges. These include the transition to a sustainable and inclusive economy, technological progress, sustainable solutions and demographic changes, in line with the priorities set out in the European green deal.

For 2020, the Commission notes that the European economy is in its seventh consecutive year of growth and is forecast to continue expanding, although at a more moderate pace.

Alert mechanism report

The Commission's report identifies 13 member states that may have a macroeconomic imbalance and should be subject to an in-depth review in 2020.

These are Bulgaria, Croatia, Cyprus, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Romania, Spain, and Sweden.

Each of these member states were subject to a review in the previous annual cycle of the macroeconomic imbalance procedure (MIP) and were found to be experiencing imbalances or excessive imbalances. The new reviews will help to assess whether those imbalances are being corrected.

Recommendation on the economic policies of the euro area

This annual recommendation is a key part of the European Semester. It enables a focus on euro area priorities when preparing country-specific recommendations in the spring.

In line with the new economic strategy, this year's recommendation has a stronger focus on tackling long-term challenges such as climate change, deteriorating demographics and technological transformation.

The Commission also recommends that all member states improve productivity, further deepen the single market and support a fair and inclusive transition towards a competitive, green and digital economy. It also calls for the strengthening of education, training systems and investments in skills.

On the fiscal side, the Commission focuses on differentiation: member states with a high level of debt need to sustainably reduce that debt and those with a favourable fiscal position should use it to further boost high-quality investments.

Finally, the Commission calls for ambitious progress in deepening the economic and monetary union, by completing the banking and capital markets union, with a view to strengthening the international role of the euro and Europe's economic sovereignty.

[Council's timeline on the 2020 European Semester exercise](#)

Tax challenges arising from digitalisation

Finance ministers had an exchange of views on tax challenges arising from digitalisation. They took stock of the progress achieved in the context of the OECD, both on the reallocation of profits of digitalised businesses and on the general reform of international corporate taxation.

The OECD has been working intensively in the past months towards reaching agreement on the architecture of a global solution before its meeting on 29-30 January 2020.

The debate confirmed that an international solution on digital taxation was the best way forward, as it would prevent fragmentation and unilateral measures. Ministers acknowledged that the OECD was working to a tight deadline to reach global consensus by the end of 2020, and many highlighted the importance of making good use of the current political momentum.

The presidency concluded that it would continue attending international meetings on this issue. It would organise technical discussions in the Council in order to prepare, as far as possible, negotiations taking place at the OECD and to address member states' concerns.

The exchange of views followed on from the Ecofin debate of November 2019 during which ministers had agreed to focus EU discussions on the following three action points:

- examine initial findings on the compatibility of EU law with the solutions discussed at OECD level, before the end of the year;
- work on impact analyses, currently being carried out by the Commission, as a matter of priority;
- examine certain elements discussed at OECD level in order to find commonalities for EU member states.

The OECD's task force on digital economy began its work and published an [interim report](#) in March 2018 which provides an analysis of value creation across new and changing business models in the context of digitalisation and the tax challenges they present.

Since then, the task force has intensified its work on the basis of [concrete proposals](#) and public consultations have been conducted. The OECD published a detailed [work programme](#) to address the tax challenges arising from the digitalisation of the economy. The programme was endorsed by the G20 finance meeting in Fukuoka on 9 June 2019.

The ongoing OECD development consists of two work streams, both of which are considered essential for a comprehensive global solution:

- Pillar 1 examines rules concerning the reallocation of the profits of digitalised businesses by determining new rules on where tax should be paid and what portion of profits should be taxed in a particular jurisdiction.
- Pillar 2 explores the design of a system to ensure that internationally operating companies pay a minimum level of tax in order to protect countries' tax bases from base erosion and profit shifting.

The OECD has been working intensively in the past months with a view to produce a first set of results by its next meeting on 29-30 January 2020 and a final report by the end of the year.

[Council's webpage on digital taxation](#)

Other business

- *Current financial services legislative proposals*

The presidency updated ministers regarding work on legislative proposals in the field of financial services.

[January 2020 progress report on financial services legislative proposals](#)

Events in the margins of the Council meeting

– *Eurogroup/Eurogroup in inclusive format*

Ministers of the euro area member states attended a meeting of the Eurogroup on 20 January.

In regular format, ministers discussed the IMF Article IV interim mission to the euro area and adopted a [statement](#) on Portugal's updated draft budgetary plan. The Commission also presented its draft recommendation on the economic policy of the euro area.

In an inclusive format, the Eurogroup took stock of the results of the Euro Summit of 13 December 2019 as regards the reform of the Economic and Monetary Union.

[Eurogroup main results](#)

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Export finance

The Council endorsed a report on developments and new challenges in the area of export finance.

The report aims to raise awareness of new trends in officially supported export finance and the changing global environment in which European export credit agencies (ECAs) are operating. It also suggests elements for the way forward (5090/20).

FOREIGN AFFAIRS

Generalised tariff preferences: amendment to the vulnerability threshold

The Council decided not to object to a Commission delegated regulation amending the vulnerability threshold set out in point 1(b) of Annex VII to Regulation (EU) No 978/2012 applying a scheme of generalised tariff preferences (14566/19).

The EU has granted trade preferences to developing countries through the Generalised Scheme of Tariff Preferences (GSP scheme) since 1971.

The new Commission regulation amends the vulnerability threshold as a consequence of the removal of twenty-one countries from the list of GSP beneficiaries, in line with Article 9(2) of the GSP Regulation.

JUSTICE AND HOME AFFAIRS

Information systems supporting border control - Court of Auditors' special report

The Council adopted conclusions on the European Court of Auditors' special report 20/2019 on EU information systems supporting border control (5143/20).

The Council takes good note of the conclusions and recommendations in the special report and invites the European Court of Auditors to keep the Council informed of future audit reports on the same issue once the interoperability framework has been implemented.

Schengen evaluation - Poland

The Council adopted an implementing decision setting out a recommendation on addressing the deficiencies identified in the 2019 evaluation of Poland on the application of the Schengen acquis in the field of the Schengen Information System. ([5428/20](#))

Eurodac - Switzerland, Liechtenstein

The Council adopted a decision on the conclusion of the protocol between the EU, Switzerland and Liechtenstein extending the agreement on Eurodac between the EU and Switzerland to access for law enforcement purposes ([15783/1/18](#), [15781/18](#)).

This protocol aims to strengthen cooperation with these countries on the prevention, detection and investigation of terrorist offences and other serious criminal offences. It will allow designated law enforcement authorities to request the comparison of fingerprint data transmitted to Eurodac.

Application of the general data protection regulation

The Council adopted its position and findings on the application of the General Data Protection Regulation ([14994/2/19](#)).

According to Article 97 of that regulation, the Commission shall submit a report on the evaluation and review of the regulation to the European Parliament and the Council. The first report is due by 25 May 2020. For this purpose, the Commission shall take into account the positions and findings of the European Parliament, the Council and other relevant bodies and sources.

AGRICULTURE

Public and animal health rules for animal by-products and derived products, in order to prevent and minimise risks to public and animal health arising from those products

The Council decided not to object to a Commission regulation amending Regulation (EU) No 142/2011. The amendments concern microbiological standards for raw pet food, requirements concerning approved establishments, technical parameters applicable to the alternative method Brookes' gasification process and hydrolysis of rendered fats, and exports of processed manure, certain blood, blood products and intermediate products ([13807/19](#) + [ADD 1](#)).

Animal by-products and derived products returning to the Union

The Council decided not to object to a Commission regulation amending Regulation (EU) No 142/2011. The amendments concern requirements for animal by-products and derived products originating from, and returning to, the Union following refusal of entry by a third country ([14066/19](#) + [ADD 1](#)).

Correction of certain language versions of Regulation (EC) No 124/2009 setting maximum levels for the presence of coccidiostats or histomonostats in food resulting from the unavoidable carry-over of these substances in non-target feed

The Council decided not to object to a Commission regulation correcting the Bulgarian, Croatian and Lithuanian language versions of Regulation (EU) No 124/2009. The correction concerns an error in the Annex, in the header of the third column of the table, as regards the maximum content of substances in foodstuffs ([14213/19](#)).

Maximum levels of perchlorate in certain foods

The Council decided not to object to a Commission regulation amending Regulation (EC) No 1881/2006 as regards maximum levels of perchlorate in certain foods. The amending regulation will apply from 1 July 2020 ([14928/19](#) + [ADD 1](#)).