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Economic and Financial Affairs

Luxembourg, 8 June 2010

President

Ms Elena SALGADO

Second Vice-President of the Government and Minister for
Economic Affairs of Spain

Μετά τη 17 Ιουνίου
τι τέλη αγωγών
οι αρχές -

P R E S S

Main results of the Council

*The Council, in preparation of the June meeting of the European Council, adopted conclusions on the EU's new **Europe 2020** strategy for jobs and growth, as well as draft **economic policy guidelines** to be followed under the new strategy.*

*It assessed progress made by **Estonia** in the fulfilment of criteria on economic and monetary union, with a view to allowing it to **adopt the euro as its currency** on 1 January 2011. A proposal to this effect will be referred to the June European Council.*

*The Council approved a draft regulation aimed at strengthening the rules on the quality and reliability of **statistical data** used to determine member states' **deficit and debt** figures under the EU's excessive deficit procedure.*

*It approved a draft adjustment, in the light of a mid-term review, to the **European Investment Bank's** mandate for lending to projects outside the EU. The Council agreed to start negotiations with the European Parliament with a view to approving the new mandate at first reading.*

*It approved a draft regulation aimed at enabling the member states to step up their efforts in combating **value-added tax fraud**, in particular with the creation of Eurofisc, a network of national officials to detect and combat new cases of cross-border VAT fraud.*

*The Council adopted conclusions on **pensions**, examining how public policies can best cater for sustainable, accessible and adequate retirement incomes.*

*It also adopted conclusions on implementation of the EU's code of conduct on **harmful tax competition**, calling on the Commission to start a dialogue with Liechtenstein and Switzerland on application of the principles and criteria set out in the code.*

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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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Mr Mark HOBAN

Financial Secretary

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Mr Olli REHN

Member

Mr Michel BARNIER

Member

Other participants:

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President of the European Central Bank

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

ENLARGEMENT OF THE EURO AREA - ESTONIA

The Council took note of

- reports from the Commission and the European Central Bank on the fulfilment of economic and monetary union (EMU) convergence criteria by the nine non-euro area member states with an EMU derogation¹
- a proposal for a Council decision aimed at enabling Estonia to adopt the euro as its currency on 1 January 2011.

Representatives of the member states whose currency is the euro adopted a recommendation to the Council to endorse Estonia's accession to the euro area as proposed (*doc. 10258/10*). The Council approved the text of a letter to be sent by its president to the European Council, with a view to discussion of the issue at its meeting on 17 June.

A decision is expected to be taken at the Council's meeting on 13 July.

The Council shared the Commission's assessment that Estonia has achieved a high degree of sustainable convergence and therefore fulfils the necessary conditions for adoption of the euro as its currency. The Commission's proposal would abrogate for Estonia what is considered as a derogation with effect from 1 January 2011.

Sixteen of the EU's 27 member states currently use the euro as their currency: Belgium, Cyprus, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland. Euro notes and coins were introduced in 12 of those countries on 1 January 2002, in Slovenia on 1 January 2007, in Cyprus and Malta on 1 January 2008 and in Slovakia on 1 January 2009.

¹ Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania and Sweden. (Denmark and the United Kingdom have not expressed a wish to adopt the euro.)

STABILITY AND GROWTH PACT - IMPLEMENTATION

Cyprus: stability programme

The Council adopted an opinion, as required by the EU's stability and growth pact, on an update by Cyprus of its stability programme.

Stability programmes, which are unique to member states having the euro as their currency, are aimed at ensuring sound government finances as a means of strengthening the conditions for price stability and for sustainable growth.

Follow-up to budgetary consolidation measures in certain member states

The Council held an exchange of views on the follow-up to be given as regards additional budgetary consolidation measures taken by Spain and Portugal, as announced at its meeting on 18 May.

It took note of a preliminary assessment of the measures by the Commission and agreed to assess them, in the framework of the EU's excessive deficit procedure, at its meeting on 13 July.

At an extraordinary meeting on 9 May, the Council and the member states decided on a comprehensive package of measures to preserve financial stability in Europe. In this context, the Council expressed a strong commitment to ensuring fiscal sustainability and enhanced economic growth in all member states, and agreed that plans for budgetary consolidation and structural reforms would be accelerated, where warranted.

PREPARATION OF THE JUNE EUROPEAN COUNCIL

Broad economic policy guidelines

The Council approved a report concerning draft broad guidelines for the economic policies of the EU and the member states (*doc. 10262/10*).

It agreed to submit the report to the European Council meeting on 17 June for endorsement.

The draft recommendation, together with a draft decision on guidelines for the employment policies of the member states, form "integrated guidelines" setting a multi-annual framework for structural reforms to be carried out under the EU's new "Europe 2020" strategy for jobs and growth.

On the basis of the integrated guidelines, member states will draw up national reform programmes setting out in detail the actions to be taken. Particular emphasis will be given to efforts to meet national targets and to measures to remove the bottlenecks that constrain sustainable growth at national level.

The European Council will assess every year progress achieved both at EU and at national level in implementing the strategy. Macroeconomic, structural and competitiveness developments and overall financial stability will be examined simultaneously.

The Council is expected to adopt the recommendation at its meeting on 13 July.

Europe 2020 strategy for growth and jobs - Council conclusions

The Council adopted the following conclusions and agreed to forward them to the European Council, with a view to its meeting on 17 June.

"Europe 2020

1. Europe 2020 is the European Union's new strategy for smart, sustainable and inclusive growth and jobs. It is a central element in Europe's response to the world's worst economic crisis since the 1930s, which has threatened the macroeconomic and financial stability and, without continued policy action, could have a severe impact on the growth potential of the European economy for years to come. Europe 2020 addresses the immediate and longer-term needs of macroeconomic and financial stabilisation. It provides the right framework for implementing strategies for exiting from short-term crisis support by combining the timely withdrawal of fiscal stimulus, real economy measures, and support to the financial sector with the phasing in of growth-enhancing structural reforms over the medium- and long term. The strategy also aims to tackle the challenges associated with demographic ageing, globalisation, and climate change, competitiveness concerns and macroeconomic imbalances, which pre-dated the economic crisis.
2. At the core of the new strategy is a framework for enhanced co-ordination of Member States' economic policies building on widened country surveillance which covers all relevant macroeconomic and structural policy areas in an integrated fashion. This strengthened framework should facilitate the immediate launch of exit strategies and address the urgent need for fiscal consolidation both in the short and over the medium term, through growth-friendly budgetary consolidation strategies focused on expenditure restraint, and be combined with the implementation of long-term policies to tackle bottlenecks to growth.

Targets

3. The Council TAKES NOTE of the progress made in determining the reference values for the European objectives of education and on developing indicators in the area of social inclusion. Headline targets should be part of the Integrated Guidelines. The Council UNDERLINES the need for the targets to be consistent with the overall objectives of the Europe 2020 Strategy – growth and jobs – and with the need for fiscal consolidation. In particular, the EU target on social inclusion should include the labour market dimension.

4. The Council also NOTES the progress achieved by Member States in identifying their national targets following the dialogue process with the Commission in order to check consistency between the national and European objectives. The Council ENCOURAGES the Commission to continue the work with national authorities leading to the setting of realistic and ambitious national targets in the next National Reform Programmes, which are consistent with identified macro-structural bottlenecks to growth. The indications show that provisional national targets appear to be broadly consistent with the EU-level targets.
5. The Council CONSIDERS that the headline targets should be seen as representative of overall progress towards the vision for Europe 2020. The Council PROPOSES that the national headline targets should be in line with the following principles:
 - The national targets should at the same time be ambitious and realistic. They should reflect national macro-structural bottlenecks to growth and country-specific circumstances in terms of the state of economic development as well as the macroeconomic, social, environmental and fiscal challenges facing each country.
 - Member States have full ownership of their national targets without engaging in burden-sharing. However, the aim should also be broad coherence and consistency among the targets for each Member State but also at EU-level. The ECOFIN Council has an important role to play in ensuring that the overall fiscal constraints are fully respected.
 - While not being a burden-sharing exercise, all Member States should aim at making progress, but those with larger gaps should generally contribute more towards meeting the aggregate target, while being consistent with the need for fiscal consolidation.
 - Due account should be given to the interlinkages between targets, given that reaching one target may be helpful in reaching others.
 - Progress towards the headline targets should be reviewed regularly, and if necessary a midterm review should be conducted.

6. The Council UNDERLINES that priority should be given to policies at EU and national level that strengthen incentive systems for reaching targets and should be consistent with the fiscal consolidation commitments undertaken in the context of the Stability and Growth Pact. This is particularly important with regard to the R&D expenditure rate target (where principally private sector expenditure should increase), the social inclusion/poverty target (where increases in employment, for example for groups that are currently socially excluded, should contribute the lion's share of progress) and the energy efficiency target (where energy users who benefit from energy savings should generally bear the additional investment costs).

Integrated Guidelines

7. The Council ADOPTS the report, for the attention of the European Council at its meeting on 17 June, on the Broad Economic Policy Guidelines as part of streamlined Integrated Guidelines. The proposed Broad Economic Policy Guidelines provide the right frame of reference for Member States and the EU for their economic policies. The Council UNDERLINES that the BEPGs constitute the legal basis for country specific recommendations under Article 121(2) and are therefore of particular relevance for strengthening EU economic policy co-ordination.

Main bottlenecks to sustainable growth

8. The Council REAFFIRMS the importance of identifying the most important national macro-structural bottlenecks to growth and of designing policies to address them so as to provide the right conditions for sustainable and balance growth and jobs in the future. The Council WELCOMES the work undertaken in this regard by the Commission with Member States and the Economic Policy Committee and the Economic and Financial Committee and ENDORSES the EFC and EPC report on identifying national macro-structural bottlenecks to growth. Member States are invited to take these suggestions into account when setting out the bottlenecks in their National Reform Programmes.
9. Addressing these bottlenecks entails creating the right framework conditions over the medium- to long term at macro level to rectify budgetary and macro-financial problems as well as external imbalances. It will also require policies to unlock growth drivers with an impact at macroeconomic level, such as labour- and product market policies, as well as innovation, R&D, climate change and education policies. It will be important for Member States to design policies that address existing bottlenecks and thereby provide the right conditions for sustainable and balanced growth and jobs in the future.

Enhanced economic policy coordination and timing

10. The Council WELCOMES the Commission's Communication on reinforcing economic policy co-ordination for the EU as a whole and for the euro area in particular, which includes proposals for reinforcing the Stability and Growth Pact; broader surveillance of intra euro area macroeconomic and competitiveness developments; and more integrated economic policy coordination for the EU.
11. The Council WELCOMES the work of Task Force established by the President of the European Council and looks forwards to its proposals, including for enhanced policy coordination and a strengthening of the Stability and Growth Pact.
12. The Council CONSIDERS that surveillance under the Europe 2020 strategy and the Stability and Growth Pact should be organised in the following manner:
 - The reporting in Stability and Convergence Programmes and in the National Reform Programmes should be better aligned and take into account guidance provided by the European Council. All these policy areas should be analysed in an integrated fashion. The instruments will however be kept clearly separate. The integrity of the Stability and Growth Pact will be fully preserved, as will the specific responsibility of the ECOFIN Council in overseeing its implementation;
 - Surveillance should be broader, deeper and more effective, with greater focus on substance and taking better account of the euro area dimension;
 - Surveillance should feed into policy making at national level and ensure overall coherence from the perspective of the EU and the euro area as a whole. This remains to be discussed by the Task Force.
 - The timing of reporting and policy guidance should consider the need for adequate preparation at national level and provide the best possible moment for assessing national fiscal policies, while respecting the role of national parliaments.
 - Interactions and complementarities between EU- and national-level policies should be fully exploited;
 - Any duplication of processes should be avoided and the reporting burden on member states should be minimised.

13. The Council INVITES the Commission to provide an overview of EU-level bottlenecks envisaged under the flagship initiatives and set out how the thematic pillar could give rise to policy recommendations to Member States. In this context, the Commission should ensure in dialogue with Member States that adequate evaluation frameworks for this purpose are put in place."

Measures to strengthen financial regulation

The Council approved a report to the European Council, with a view to its meeting on 17 June, on progress made in strengthening financial regulation in response to the crisis in global financial markets.

It also took note of:

- information from the presidency regarding ongoing negotiations with the European Parliament in this field, in particular on reform of the EU framework for the supervision of financial services and draft EU rules for entities engaged in the management of alternative investment funds, such as hedge funds and private equity;
- information from the Commission concerning its work programme for financial services, including a communication on the possible establishment of funds to enable orderly resolution in the event of the failure of financial institutions.

Exit strategies: budgetary measures

The Council approved a report to the European Council, with a view to its meeting on 17 June, on progress made in the development of an exit strategy for the unwinding of budgetary stimulus measures introduced in response to the economic crisis (*doc. 10251/10*).

Preparation of the G-20 summit in Toronto

The Council agreed to submit terms of reference to the European Council with a view to preparation, at its meeting on 17 June, of the G-20 summit in Toronto on 26 and 27 June.

The Toronto summit will focus on recovery from the global economic and financial crisis and on implementation of commitments from previous G-20 summits, and will continue to lay the foundations for sustainable and balanced growth.

Established in 1999 following the Asian financial crisis of 1997, the G-20 involved until 2008 annual meetings of finance ministers and central bank governors. G-20 leaders met for the first time in Washington in November 2008 in order to develop a coordinated response to the global economic crisis. This was followed by summits in London in April 2009 and in Pittsburgh in September 2009, where the G-20 was designated as the premier forum for international economic cooperation.

Over the course of the three summits, G-20 leaders agreed on measures to restore economic confidence and on actions to strengthen financial regulation. They also committed to reform international financial institutions, to promote trade and resist protectionism.

OTHER BUSINESS

Task force on economic governance

The Council took note of progress in the work of the task force chaired by the President of the European Council, Herman Van Rompuy, with a view to strengthening economic governance in the EU. It expressed support for the work of the task force, in particular as regards strengthening budgetary discipline under the stability and growth pact, extending macroeconomic surveillance, ensuring effective crisis management mechanisms and improving economic governance provisions and coordination.

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 7 June.

- ***Task force on economic governance***

Ministers attended a meeting, over dinner on 7 June, of a task force on economic governance chaired by the President of the European Council, Herman Van Rompuy.

- ***EIB annual governors meeting***

Ministers met in their capacity as governors of the European Investment Bank for the EIB annual governors' meeting.

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Over lunch, ministers discussed the economic situation.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Excessive deficit procedure - Statistics

The Council agreed on a general approach on a draft regulation aimed at strengthening the rules on statistical data used under the EU's excessive deficit procedure.

The aim is to allow the Commission and the member states to work together more effectively in improving the quality and reliability of statistical data used to determine government deficit and debt figures.

The regulation will be adopted at a forthcoming Council meeting, once the European Parliament has submitted its opinion.

For details, see press release [10728/10](#).

European Investment Bank - External lending mandate

The Council agreed on a general approach on a draft decision aimed at adjusting the European Investment Bank's current mandate for lending, under guarantee from the EU budget, for projects outside the EU.

This follows a mid-term review of application of the EIB's external lending mandate for the 2007-13 period.

The Council asked the presidency to start negotiations with the European Parliament, on the basis of its general approach, with a view to adopting the decision at first reading.

For details, see press release [10720/10](#).

Pensions - Council conclusions

The Council adopted the following conclusions.

"The Council WELCOMES the Interim Joint Report on Pensions by the Economic Policy Committee and the Social Protection Committee and REAFFIRMS the commitment to the common objectives of sustainable and adequate pensions and to the three-pronged strategy for meeting the economic and budgetary consequences of ageing:

- reducing debt at a faster pace;
- raising employment rates and productivity; and,
- reforming pension, health care and long-term care systems.

The Council STRESSES the urgency of further measures to enhance the long-term sustainability of public finances and thus the basis for continuing to deliver adequate pensions.

The Council LOOKS FORWARD to the final Joint Report on Pensions towards the end of 2010. This report shall present the main general and country-specific policy challenges, thereby providing relevant guidance for informing policy choices for delivering adequate and sustainable pensions in Europe."

VAT fraud - Cross-border cooperation - Eurofisc network

The Council reached political agreement on a draft regulation aimed at enabling the member states to step up their efforts in combating fraud with regard to value-added taxation (VAT).

The draft regulation sets up Eurofisc, a network of national officials to detect and combat new cases of cross-border VAT fraud.

The regulation will be adopted without discussion at a forthcoming Council meeting, once the text has been finalised.

For details, see press release [10730/10](#).

Harmful tax competition - Code of conduct - Council conclusions

The Council adopted the following conclusions.

- "welcomes the progress achieved by the Code of Conduct Group (Business Taxation) during the Spanish Presidency as set out in its report (doc. 10033/10 FISC 47);
- asks the Group to continue monitoring standstill and the implementation of rollback, as well as to carry on the work under the Work Package agreed by the Council (ECOFIN) on 5 December 2008 (doc. 16410/08 FISC 174);
- in order to facilitate the work of the Group in promotion of the adoption of the principles of the Code of Conduct in third countries, invites the Commission to start a dialogue with Liechtenstein and Switzerland on the application of the principles and criteria of the Code, and to report back to the Group of the Code of Conduct before the end of the Belgian Presidency;
- invites the Group to report back on its work to the Council by the end of the Belgian Presidency."

Direct taxation systems - Coordination of anti-abuse provisions

The Council adopted a resolution on the coordination of the member states' tax policies with regard to anti-abuse provisions.

The resolution is included in document 10597/10.

FOREIGN AFFAIRS

EU-Montenegro - Rules of procedure of the Stabilisation and Association Council

The Council adopted a decision on the EU position to be taken within the EU-Montenegro Stabilisation and Association Council concerning its rules of procedure.

COMMON SECURITY AND DEFENCE POLICY

EULEX Kosovo - Extension of mission

The Council adopted a decision extending the European Union rule of law mission in Kosovo (EULEX Kosovo) for a period of two years until 14 June 2012.

This decision underlines the EU's strong commitment to Kosovo, to the rule of law in particular and Kosovo's European perspective.

EULEX Kosovo is the largest civilian mission ever launched under the EU's common security and defence policy.

In partnership with Kosovo's institutions, the aim of the mission is to assist the authorities and law enforcement agencies in their progress towards sustainability and accountability. It will further develop and strengthen an independent and multi-ethnic justice system and a multi-ethnic police and customs service, ensuring that these institutions are free from political interference and adhering to internationally recognised standards and European best practices. The mission, in full co-operation with the other EU assistance programmes, will implement its mandate through monitoring, mentoring and advising, while retaining certain executive responsibilities.

EULEX Kosovo was established on 4 February 2008 under joint action 2008/124/CFSP, and was due to expire on 14 June 2010. It reached its full initial capability in December 2008 and its full operational capability in April 2009. The mission is implementing its mandate throughout Kosovo.

More information on EULEX Kosovo: <http://www.eulex-kosovo.eu>

Videos: tvnewsroom.consilium.europa.eu

DEVELOPMENT POLICY

Regional economic integration in East and West Africa - Special Report - Council conclusions

The Council adopted conclusions set out in doc. 9952/10.