COUNCIL OF
THE EUROPEAN UNION

EN

6477/10 (Presse 28)

PRESS RELEASE

2994th Council meeting

Economic and Financial Affairs

Brussels, 16 February 2010

President	**Ms Elena SALGADO** Second Vice-President of the Government and Minister for Economic Affairs and Finance of Spain

P R E S S

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Main results of the Council

The Council focused on the situation regarding government ***deficit and debt in Greece****, adopting:*

– *an opinion on an update by Greece of its stability programme, which sets out plans for reducing its government deficit below 3% of gross domestic product by 2012;*

– *a decision giving notice to Greece to correct its excessive deficit by 2012, setting out budgetary consolidation measures according to a specific timetable, including deadlines for reporting on measures taken;*

– *a recommendation to Greece with a view to bringing its economic policies into line with the EU's broad economic* policy *guidelines.*

Also under the excessive deficit procedure, the Council issued new recommendations to ***Lithuania****,* ***Malta*** *and* ***Romania****, extending by one year the deadlines for correction of the deficits on account of a worse-than-expected deterioration in their economies.*

The Council adopted a recommendation on the nomination of Vítor Constâncio as ***vice-president of the European Central Bank****, to succeed Lucas Papademos, whose term of office expires on 31 May.*

It adopted a directive updating EU rules on the structure and rates of excise duties on cigarettes and other ***tobacco products****.*

It also adopted conclusions on the EU ***single market*** *and implementation of the* ***directive on services****. It called for comprehensive and ambitious implementation of the directive, urging those member states that had not yet implemented it to do their utmost to do so as soon as possible.*

CONTENTS[1]

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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.

DEVELOPMENT COOPERATION

TRANSPORT

PARTICIPANTS

The governments of the Member States and the European Commission were represented as follows:

Belgium:	
Mr Didier REYNDERS	Deputy Prime Minister and Minister for Finance and Institutional Reforms
Bulgaria:	
Mr Boyko KOTZEV	Permanent Representative
Czech Republic:	
Mr Eduard JANOTA	Minister for Finance
Mr Tomáš ZÍDEK	Deputy Minister for Finance, International Relations and Financial Policy Section
Denmark:	
Mr Claus HJORT FREDERIKSEN	Minister for Finance
Germany:	
Mr Jörg ASMUSSEN	State Secretary, Ministry of Finance
Estonia:	
Mr Jürgen LIGI	Minister for Finance
Ireland:	
Mr Brian LENIHAM	Minister for Finance
Greece:	
Mr George PAPACONSTANTINOU	Minister for Finance
Spain:	
Ms Elena SALGADO	Second Vice-President of the Government and Minister for Economic Affairs and Finance
Mr José Manuel CAMPA	State Secretary for Economy
France:	
Ms Christine LAGARDE	Minister for Economic Affairs, Industry and Employment
Italy:	
Mr Giulio TREMONTI	Minister for Economic Affairs and Finance
Cyprus:	
Mr Charilaos STAVRAKIS	Minister for Finance
Latvia:	
Mr Einars REPŠE	Minister for Finance
Lithuania:	
Ms Ingrida ŠIMONYTĖ	Minister for Finance
Luxembourg:	
Mr Luc FRIEDEN	Minister for Finance
Hungary:	
Mr Péter OSZKÓ	Minister for Finance
Malta:	
Mr Tonio FENECH	Minister of Finance, Economy and Investment
Netherlands:	
Mr Wouter Jacob BOS	Minister for Finance, Deputy Prime Minister
Austria:	
Mr Josef PRÖLL	Vice Chancellor and Federal Minister for Finance
Poland:	
Mr Jan VINCENT-ROSTOWSKI	Minister for Finance
Portugal:	
Mr Fernando TEIXEIRA DOS SANTOS	Ministro de Estado, Minister for Finance

Romania:	
Mr Sebastian VLADESCU	Minister for Finance
Slovenia:	
Mr Franc KRIŽANIČ	Minister for Finance
Slovakia:	
Mr Peter KAŽIMÍR	State Secretary at the Ministry of Finance
Finland:	
Mr Jyrki KATAINEN	Deputy Prime Minister, Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr Alistar DARLING	Chancellor of the Exchequer

Commission:	
Mr Olli REHN	Member
Mr Michel BARNIER	Member
Mr Algirdas ŠEMETA	Member

Other participants:	
Mr Jean-Claude TRICHET	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

STABILITY AND GROWTH PACT - IMPLEMENTATION

Greece: stability programme, excessive deficit procedure and recommendation

The Council adopted:

– an opinion on the latest update by Greece of its stability programme, which sets out plans for reducing its government deficit below 3% of gross domestic product (GDP) by 2012;

– a decision giving notice to Greece to remedy its excessive deficit by 2012, setting budgetary consolidation measures according to a specific timetable, including deadlines for reporting on measures taken;

– a recommendation to Greece to bring its economic policies into line with the Union's broad economic policy guidelines and remove the risk of jeopardising the proper functioning of economic and monetary union (*doc. 6145/10*), and a decision to make this recommendation public.

Greece has been the subject of an excessive deficit procedure since April 2009, when the Council also issued a recommendation on corrective action to be taken. In December 2009, the Council stated in a decision that Greece had failed to comply with its recommendation.

Greece's government deficit for 2009 is put at 12.7% of GDP – well above the 3% reference value set by the EU treaty – in the Commission's autumn 2009 economic forecast and in Greece's updated stability programme. Its government debt at the end of 2009 is estimated to have been in excess of 113% of GDP, well above the 60% reference value for debt.

Moreover, shortcomings in Greece's public finance statistics have been a recurrent issue, prompting repeated calls by the Council on the Greek authorities, including in its April 2009 recommendation, to improve the collection and processing of its statistical data. In October 2009, Greece announced further substantial revisions of government deficit and debt data for previous years; the revised data has not been validated by Eurostat.

Greece's updated stability programme sets 2012 as the date for reducing the deficit below the 3% reference value. It sets a target of 8.7% of GDP for its 2010 budgetary deficit, which represents a 4 percentage points reduction from the estimated 12.7% deficit for 2009.

In its decision, adopted under article 126(9) of the EU treaty, the Council accepts this schedule. It calls on Greece to ensure a budgetary adjustment of at least 4% of GDP in 2010 and to bring its deficit back under 3% in 2012 at the latest.

The Council sets numerical limits to Greece's government deficits and to annual changes in its consolidated gross debt in 2010, 2011 and 2012. It calls on Greece to implement specific budgetary consolidation measures, including those presented in its stability programme, namely:

– urgent measures to be taken by 15 May 2010;

– supporting measures to safeguard budgetary targets for 2010;

– other measures to be adopted by the end of 2010; and

– other measures to be adopted by 2012.

The Council also asks Greece to present a report by 16 March 2010 setting out the timetable for implementing budgetary target measures for 2010, and another by 15 May outlining the policy measures needed to comply with the Council's decision. Quarterly reports should be submitted thereafter.

To the extent that a number of risks associated with the specified deficit and debt ceilings materialise, Greece shall announce, in the report to be presented by 16 March 2010, additional measures to ensure that the 2010 budgetary target is met.

In its recommendation, adopted in accordance with article 121(4) of the treaty, the Council finds that Greece's policies are not in line with the country-specific recommendation it issued under the broad economic policy guidelines (recommendation 2009/531/EC). In that recommendation, it had noted that it was "imperative to intensify efforts to address the macro-economic imbalances and structural weaknesses of the Greek economy".

The Council therefore calls on Greece to design and implement as soon as possible, starting in 2010, a bold and comprehensive structural reform package. It sets out specific measures, covering wages, pension reform, healthcare reforms, public administrations, the product market, the business environment, productivity and employment growth.

Excessive deficit procedures for Lithuania, Malta and Romania

The Council issued new recommendations to Lithuania, Malta and Romania on measures to be taken in order to correct their excessive government deficits, revising the timetables set for bringing their deficits back below 3% of gross domestic product (GDP), the reference value set by the EU treaty.

In the texts, adopted under article 126(7) of the EU treaty, the Council extends by one year the deadlines for correction of the deficits, on account of a worse-than-expected deterioration in the three countries' economies since July 2009, when the excessive deficit procedures were opened and the Council issued its initial recommendations.

The Council calls on Malta to reduce its deficit to below 3% of GDP by 2011 instead of 2010, and on Lithuania and Romania to do so by 2012 instead of 2011. It sets 16 August 2010 as the deadline for all three countries to take corrective action, and outlines a strategy for reducing their deficits by the specified deadlines.

It calls on:

– Lithuania to rigorously implement corrective measures planned in its 2010 budget and to ensure an average annual fiscal effort of at least 2 ¼% of GDP over the 2010-2012 period;

– Malta to achieve the 3.9% deficit target set in its 2010 budget and to ensure a fiscal effort of ¾% of GDP the following year;

– Romania to implement measures planned in its 2010 budget, whilst avoiding any further deterioration, and to ensure an annual fiscal effort of 1 ¾% of GDP over the 2010-2012 period.

Excessive deficit procedures for Latvia, Hungary and Poland

The Council examined a communication from the Commission assessing action taken by Latvia and Hungary, and another assessing action taken by Poland, in order to bring their government deficits below 3% of gross domestic product (GDP), the reference value set by the EU treaty.

The Council shared the Commission's view that, on the basis of current information, all three countries have so far acted in a manner consistent with its recommendations, and that no further steps are needed at this stage under the EU's excessive deficit procedure.

Latvia and Poland have been the subject of excessive deficit procedures since July 2009, when the Council also issued recommendations on corrective action to be taken, setting 2012 as the target year for bringing their deficits back below 3% of GDP.

Hungary has been the subject of a procedure since July 2004, since when the Council has issued recommendations on corrective action on three occasions. In its latest recommendation, in July 2009, the Council set 2011 as the target year for reducing its deficit below 3% of GDP.

<u>EU SINGLE MARKET - DIRECTIVE ON SERVICES</u> - *Council conclusions*

The Council adopted the following conclusions:

"Since its launch in the mid-1980s, the Single Market Programme has contributed to the promotion of integration and competition within the EU and has resulted in remarkable benefits in terms of price developments, growth and jobs. However, the Council HOLDS THE VIEW that its potential has not been fully exploited and CONSIDERS that the further deepening of the Single Market should be one key element of the EU's forward looking strategy.

The Council WELCOMES President Barroso's commitment to updating the single market and LOOKS FORWARD to the announced evidence-based package for tomorrow's single market, including proposals for specific actions, taking due account of the report on challenges and opportunities of the development of the Single Market mandated to Mr. Monti, including its social dimension that is being carried out.

Significant internal and external challenges remain in particular moving towards single EU market and maintaining long-term global competitiveness. This will require a commitment to a broad set of ongoing single market reforms. Most immediately, the Council STRESSES the importance of the internal market for services as a key element for ensuring competitive pricing, enhancing competitiveness more generally, and increasing potential growth and employment. The Council ACKNOWLEDGES that the incomplete transposition of Community directives is one reason why the integration process is still far from complete. It therefore CALLS FOR a comprehensive and ambitious implementation of the Services Directive. In particular, the Council URGES those Member States that have not met the transposition deadline to do the utmost to finalise it as soon as possible. The Council CONSIDERS that the potential offered by the Services Directive should be fully exploited and therefore WELCOMES the evaluation of its implementation as well as an economic assessment of the progress brought by the Services Directive for the functioning of the Internal Market.

The Council HIGHLIGHTS the potential of the mutual evaluation exercise launched in January 2010 to further unleash the growth potential of the services sector. An effective and transparent mutual evaluation, under the supervision of the Council (Competitiveness), will contribute to further increasing competition by helping to remove regulatory inefficiencies, identify best regulatory practices and appropriate new initiatives to deepen the internal market. The Council CALLS FOR the engagement and active participation of the Member States and the Commission. The Council also WELCOMES the economic assessment to be delivered in 2011 by the Commission, which will provide complementary economic evidence.

In line with the 2007 Single Market Review, which emphasised the need for a better understanding of the functioning of markets based on an evidence-based approach the Council also REITERATES its support for the market monitoring and smart regulation initiatives to deepen the Single Market in the EU2020 Strategy with a modern evidence-based tool kit. The Better Regulation initiative has contributed to improving the functioning of the single market, by developing impact assessments of policy proposals, and further extending the simplification and reduction of administrative burdens. These economic tools for better inform regulatory or non-regulatory initiatives in the future could be further explored.

Building on the Council Conclusions of 10 February 2009, the Council REITERATES the importance of market monitoring and the benefits of collaboration between the Commission and Member States building on the renewed screening methodology and setting up a transparent process for selecting sectors for further in-depth investigations. To this end, the Council TAKES NOTE of the Communication by the Commission on "A better functioning food supply chain in Europe", which illustrates how practical recommendations that emanate from evidence-based tools such as market monitoring, can best support EU and national decision-making process in delivering necessary sectoral reforms, while avoiding new bureaucratic costs for Member States and the Commission. The Council ENCOURAGES the Commission to conclude outstanding studies, launch further in-depth market monitoring studies in sectors showing signs of market malfunctioning, and gather further experience in the implementation of market monitoring in close cooperation with Member States and the EPC. The Council INVITES the Commission to report back on market monitoring by the end of 2010, in particular, as regards progress on ongoing in-depth studies and their contribution to the wider Single Market agenda.

Finally, the Council also RECOGNISES the importance of the EU State Aid framework as an important tool in avoiding distortions and enhancing competition within the internal market, helping deliver better outcomes for citizens through increased jobs, growth, and consumer benefits. In this context the Council TAKES NOTE of the fact that the Temporary Framework for the Real Economy is scheduled to expire by the end 2010, and WELCOMES the Commission's ongoing efforts to implement State aid rules so that they are conducive to making the internal market work better. The Council also ACKNOWLEDGES the importance of achieving a timely withdrawal of temporary support measures."

NOMINATION OF THE VICE-PRESIDENT OF THE EUROPEAN CENTRAL BANK

The Council adopted a recommendation on the nomination of Vítor Constâncioas vice-president of the European Central Bank, to succeed Lucas Papademos, whose term of office expires on 31 May.

The Council's recommendation will be submitted to the European Council, after consulting the European Parliament and the ECB's governing council.

EU GENERAL BUDGET FOR 2008

The Council adopted a recommendation to the European Parliament on the discharge to be given to the Commission for implementation of the EU's general budget for 2008 (*doc. 5826/10 ADD 1*).

The recommendation was prepared on the basis of the annual report from the Court of Auditors[1].

The Council also adopted recommendations on the discharge to be given to the directors of 23 EU agencies, four EU executive agencies and two joint undertakings as regards implementation of their budgets for 2008 (*docs 5827/10 ADD 1* + *5827/10 ADD 1 COR 1* + *5828/10 ADD 1* + *5829/10 ADD 1*).

The recommendations will be submitted to the Parliament in accordance with the budgetary discharge procedure.

[1] OJ C 269 of 10.11.2009, p. 1 (with corrigendum in OJ C 304 of 15.12.2009, p. 164).

OTHER BUSINESS

New commissioners for economic and financial affairs

The Council took note of a brief presentation by commissioners Olli Rehn (economic and monetary affairs), Michel Barnier (internal market and services) and Algirdas Semeta (taxation and customs union, audit and anti-fraud) of their portfolios within the new Commission.

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 15 February.

- ***Macroeconomic dialogue with the social partners***

A dialogue on macroeconomic issues was held on 15 February between the presidency troika (Spain, Belgium and Hungary), the Commission, the European Central Bank and the president of the Euro Group, on the one hand, and the social partners (employers and trade unions at EU level and representatives of public enterprises and SMEs), on the other. The meeting focused on the economic and employment outlook for 2010 and preparation of a successor strategy to the EU's Lisbon strategy for growth and jobs.

- ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation. They took stock of the follow-up to be given to an informal meeting of heads of state and government held on 11 February. They took note of proposals put forward by the United States administration with regard to systemically important financial institutions, and of ongoing work within the Council on this issue. Ministers also took note of a presentation by Mario Monti, president of Bocconi University and ex-EU single market commissioner, of a report on the development of the EU's single market.

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Over lunch, ministers discussed a report prepared by a group of experts chaired by Michel Camdessus, ex-managing director of the IMF, on lending by the European Investment Bank in third countries.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Excise duties on cigarettes

The Council adopted a directive updating EU rules on the structure and rates of excise duties on cigarettes and other tobacco products *(docs.17778/3/09 REV 3 + 6221/10)*.

The directive is intended to ensure a higher level of public health protection by raising minimum excise duties on cigarettes, whilst bringing the minimum rates for fine-cut tobacco gradually into line with those for cigarettes.

The outcome of a fourth four-yearly review of tobacco taxation under directives 92/79, 92/80 and 95/59, it is aimed at modernising and simplifying the rules and making them more transparent.

The new directive includes the following provisions:

– **Cigarettes**: the Council decided to increase, by 1 January 2014, the monetary minimum excise rate to EUR 90 per 1000 cigarettes and the proportional minimum to 60% of the weighted average sales price, from EUR 64 per 1000 and 57% at present;

– **Transitional period for cigarettes**: the new rules allow for transitional arrangements until 1 January 2018 for member states that have not yet achieved, or have only recently achieved, the current minimum rates, namely Bulgaria, Greece, Estonia, Latvia, Lithuania, Hungary, Poland and Romania;

– **Quantitative restrictions for cigarettes**: the directive allows member states not benefiting from the transition to impose a quantitative limit of at least 300 cigarettes on the number of cigarettes that may be brought into their territory from member states applying transitional arrangements. It also allows member states applying those arrangements, once their rates have reached EUR 77 per 1000 cigarettes, to apply quantitative limits with regard to member states whose rates have not yet reached an equal monetary level;

– **Fine-cut tobacco**: the Council decided to increase the minimum excise duty requirements for fine-cut tobacco as follows: member states will comply with either a proportional minimum or a monetary minimum, amounting to 40% of the weighted average sales price and EUR 40 per kg on 1 January 2011, 43% and EUR 47/kg on 1 January 2013, 46% and EUR 54/kg on 1 January 2015, 48% and EUR 60/kg on 1 January 2018 and 50% and EUR 60/kg on 1 January 2020.

Romania - Support for the balance of payments

The Council adopted a decision amending decision 2009/459/EC on the granting of a loan to Romania to support its balance of payments in the medium-term *(doc. 6244/10)*.

The revised decision amends the economic policy conditions for the disbursement of medium-term financial assistance to Romania in order to take into account the impact of a stronger-than-expected contraction of gross domestic product.

The amendment of decision 2009/459/EC is necessary in order to bring it into line with the Council recommendation approved with the aim of putting an end to the situation of excessive government deficit in Romania (see page 9).

Decision 2009/459/EC made available to Romania a medium-term loan amounting to a maximum of EUR 5 billion, with a maximum average maturity of seven years.

External auditor of the Central Bank of Ireland

The Council adopted a decision approving the appointment of Deloitte & Touche as the external auditor of the central bank and financial services authority of Ireland for the financial years 2009 to 2011 (doc. *5058/10*).

Derogation from the VAT directive for Lithuania

The Council adopted a decision authorising Lithuania to continue to apply a measure derogating from directive 2006/112 on the common system of value added tax (VAT) (doc. *5348/10*).

By way of derogation from article 193 of the VAT directive, Lithuania is allowed to continue to designate the taxable person to whom the following supplies of goods and services are made as the person liable for payment of VAT:

– supplies of goods and services by a taxable person while under an insolvency procedure or subject to judicial oversight;

– supplies of timber.

DEVELOPMENT COOPERATION

Appropriate measures against Zimbabwe

The Council adapted and extended for a further year appropriate measures against the government of Zimbabwe taken under article 96 of the ACP-EU partnership agreement (Cotonou agreement) (doc. *5837/10*).

While the EU welcomed the formation of a government of national unity based on the global political agreement (GPA) in Zimbabwe, it is concerned that essential elements of the Cotonou agreement remain violated as long as the GPA is not sufficiently implemented. The EU considers that the appropriate measures can only be fully revoked once the GPA is effectively put into practice by the Zimbabwean authorities.

The appropriate measures were first imposed in February 2002 and subsequently extended several times. They include the suspension of budgetary support and projects, but do not affect humanitarian and social operations and projects directly benefiting the population, as well as those promoting the full implementation of the GPA.

The Council's decision will expire on 20 February 2011.

European Development Fund - Statement of assurance - Discharge for 2008

The Council approved a statement, to be forwarded to the European Parliament, concerning the Court of Auditors' statement of assurance on the activities of the seventh, eighth, ninth and tenth European development funds *(doc.5873/10)*.

The Council also adopted a recommendation on the discharge of operations of the seventh, eighth, ninth and tenth European development funds for the financial year 2008 *(doc.5874/10)*.

EU-Pacific States agreement - ACP countries

The Council decided to forward to the European Parliament, for its consent, a draft decision aimed at approving the interim economic partnership agreement between the EU and the Pacific States (doc. *5078/10*).

TRANSPORT

Standards on aviation security - Regulatory procedure with scrutiny

The Council decided not to oppose the adoption by the Commission of a regulation supplementing EU common basic standards on civil aviation security (doc. *17098/09*).

The draft regulation is aimed at ending restrictions on liquids, aerosols and gels, moving progressively from banning most liquids to a system of screening for liquid explosives. Under the draft regulation, all airports must have the capability to screen those products by 29 April 2013.

As a first step, by 29 April 2011, liquids, aerosols and gels obtained at a third country airport or on board an aircraft of a non-EU air carrier will be permitted into security restricted areas and on board an aircraft under certain conditions. Airports which have the necessary equipment are free to replace restrictions by screening before those deadlines.

The Commission regulation is subject to the regulatory procedure with scrutiny. Under that procedure, the Council can oppose an act that exceeds the implementing powers of the Commission, is not compatible with the aim or content of the basic instrument or does not respect the EU's principles of subsidiarity or proportionality.

The Council having given its consent, the Commission may now adopt the regulation, unless the European Parliament objects. The regulation, if adopted, will apply from 29 April 2010.