



**COUNCIL OF
THE EUROPEAN UNION**



14601/09 (Presse 294)

PRESS RELEASE

2967th Council meeting

Economic and Financial Affairs

Luxembourg, 20 October 2009

President **Mr Anders BORG**
Minister for Finance of Sweden

P R E S S

Main results of the Council

*The Council adopted conclusions on the establishment of an **exit strategy** with regard to measures taken to tackle the economic and financial crisis.*

*It reached broad agreement on the substance of proposals to create a European Systemic Risk Board, which will provide oversight of the financial system as part of a reform of the EU's **supervisory framework** for banking, insurance and securities markets.*

*Both issues will be referred to the October meeting of the **European Council**.*

The Council also adopted conclusions on the strengthening of EU arrangements for financial stability and crisis management, taking account of lessons learnt from the current crisis. The conclusions include a "roadmap" for further work.

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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.

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 Tomáš ZÍDEK

Deputy Minister for Finance

Denmark:

Mr Claus Hjort FREDERIKSEN

Minister for Finance

Germany:

Mr Jörg ASMUSSEN

State Secretary, Federal Ministry of Finance

Estonia:

Mr Jürgen LIGI

Minister for Finance

Ireland:

Mr Rory MONTGOMERY

Permanent Representative

Greece:

Mr Georgios PAPACONSTANTINOU

Minister for Finance

Spain:

Mr José Manuel CAMPA FERNÁNDEZ

State Secretary for Economic Affairs

France:

Ms Christine LAGARDE

Minister for Economic Affairs, Finance and Employment

Italy:

Mr Giulio TREMONTI

Minister for Economic Affairs and Finance

Cyprus:

Mr Andreas D. MAVROYIANNIS

Permanent Representative

Latvia:

Mr Einars REPŠE

Minister for Finance

Lithuania:

Mr Rytis MARTIKONIS

Permanent Representative

Luxembourg:

Mr Luc FRIEDEN

Minister for Justice, Minister for the Treasury and the Budget

Mr Jeannot KRECKÉ

Minister for Economic Affairs and Foreign Trade,
Minister for Sport

Hungary:

Mr Péter OSZKÓ

Minister for Finance

Malta:

Mr Tonio FENECH

Minister of Finance, Economy and Investment

Netherlands:

Mr Wouter 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 Manuel LOBO ANTUNES

Permanent Representative

Romania:

Ms Grațiela Denisa IORDACHE

State Secretary, Ministry of Public Finances

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

Mr Mats ODELL

Minister for Local Government and Financial Markets

Mr Per JANSSON

State Secretary to the Minister for Finance

United Kingdom:

Mr Alistair DARLING

Chancellor of the Exchequer

Commission:

Mr Joaquín ALMUNIA

Member

Mr László KOVÁCS

Member

Mr Charlie MCCREEVY

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

Vice-president of the Economic and Financial Committee

Mr Christian KASTROP

Chairman of the Economic Policy Committee

ITEMS DEBATED**PREPARATION OF THE OCTOBER EUROPEAN COUNCIL****Exit strategy**

The Council adopted the following conclusions and agreed to submit them to the European Council meeting in Brussels on 29 and 30 October.

"The Council NOTES that signs of early recovery are appearing, with the halt of the sharp decline in EU economic activity, the stabilisation of financial markets, and the improvement in confidence. However, the recovery remains fragile and it is not yet time to withdraw the support governments provide to the economy and the financial sector until the recovery is secured.

The COUNCIL AGREES that preparing a coordinated strategy for exiting from the broad-based policies of stimulus is needed. Such a strategy should strike a balance between stabilisation and sustainability concerns, take into account the interactions between the different policy instruments, as well as the discussions at the global level. The Council UNDERLINES that early design and communication of such a strategy would contribute to underpinning confidence in our medium-term policies and to anchor expectations.

The COUNCIL agrees that, beyond the withdrawal of the stimulus measures of the European Economic Recovery Programme, substantial fiscal consolidation is required in order to halt and eventually reverse the increase in debt and restore sound fiscal positions. The Council UNDERLINES that increasing the efficiency and effectiveness of public finances and the intensification of structural reform are desirable even in the short term and will contribute to fostering potential output growth and debt reduction.

The Council AGREES on the following principles for the fiscal exit strategies:

- The exit strategy should be coordinated across countries in the framework of consistent implementation of the Stability and Growth Pact.
- There is a need for timely withdrawal of the fiscal stimulus. Provided that the Commission forecasts continue to indicate that the recovery is strengthening and becoming self-sustaining, fiscal consolidation in all EU Member States should start in 2011 at the latest. Specificities of country situations should be taken into account, and a number of countries need to consolidate before then.

- In view of the challenges, the planned pace of the fiscal consolidation should be ambitious, and will have to go well beyond the benchmark of 0.5% of GDP per annum in structural terms in most Member States.
- Important flanking policies to the fiscal exit will include strengthened national budgetary frameworks for underpinning the credibility of consolidation strategies and measures to support long-term fiscal sustainability, as emphasised by the SGP. In addition, structural reform efforts should be strengthened to enhance productivity and to support long-term investment.

The Council agreed that these elements should be reflected in the stability and convergence programmes, to be transmitted by Member States to the Commission by the end of January 2010.

The Council invites the Commission and the EFC to continue their work on exit strategy and to report back to the next meeting in November."

Financing of climate policies

The Council discussed preparations for the 15th conference of the parties to the UN convention on climate change, which will convene in Copenhagen from 7 to 18 December.

Financial supervision

The Council took note of progress made on legislative proposals aimed at reforming, in the wake of the global financial crisis, the EU framework for the supervision of financial services.

The president of the Council will report on progress (see also page 9) in a letter to be sent to the president of the European Council, with a view to its meeting in Brussels on 29 and 30 October. The European Council will if necessary provide guidance regarding further work on the proposals.

FINANCIAL SUPERVISION - EUROPEAN SYSTEMIC RISK BOARD

The Council discussed two legislative proposals on the establishment of a European Systemic Risk Board. Without prejudice to ongoing national parliamentary procedures, there was broad agreement on the substance on both the regulation establishing the European Systemic Risk Board and the Council decision entrusting the European Central Bank with specific tasks in relation to the ESRB.

As a consequence of this support, the Council invited the presidency to start negotiations with the European Parliament on the regulation on the basis of this approach with a view to reaching agreement at first reading.

Furthermore, the Council invited the presidency to take the necessary steps to initiate the process with the European Parliament on the Council decision, while taking note of the need for further political negotiations before reaching a final agreement in December 2009 on the complete package setting up a new supervisory structure for the EU.

FINANCIAL STABILITY AND CRISIS MANAGEMENT

The Council adopted conclusions on the strengthening of EU arrangements to ensure financial stability and provide crisis management in the event of a future financial crisis.

The current crisis having severely tested the stability of the financial system in Europe, the draft conclusions highlight the need for work to continue in two interrelated areas:

- strengthening the regulatory framework for crisis prevention, management and resolution;
and
- developing a comprehensive EU-wide framework for closer policy coordination on financial stability.

The conclusions take account of a report on lessons learnt from the current crisis, prepared by a working group on cross-border financial stability arrangements. As regards further work, the Council endorsed a "roadmap", annexed to the text, setting out the short-, medium- and long-term priorities.

The conclusions can be found in doc. [14239/09](#).

PREPARATION OF G-20 FINANCE MINISTERS' MEETING

The Council took stock of preparations for the meeting of G-20 finance ministers and central bank governors to be held in St Andrews (United Kingdom) on 6 and 7 November.

It approved the text of a letter to be sent to the G-20 president and other participants in the meeting.

The meeting in St Andrews will follow up the G-20 summit in Pittsburgh as regards two themes related to the global economic and financial crisis, namely exit strategies and the framework for sustainable and balanced growth, and a third regarding the financing of climate policies.

TAXATION - ANTI-FRAUD AGREEMENTS WITH THIRD COUNTRIES

The Council examined:

- a draft anti-fraud agreement with Liechtenstein;
- a draft mandate for the Commission to negotiate anti-fraud agreements with Andorra, Monaco and San Marino and a new anti-fraud agreement with Switzerland.

On the anti-fraud agreement with Liechtenstein and the negotiating mandate for the Commission, the Council broadly agreed on their substance while noting the political reservations of Austria and Luxembourg. The Council will come back to the issue in December.

The draft anti-fraud agreement with Liechtenstein covers fraud as relates to both direct and indirect taxation. It provides for a definition of fraud that covers both natural and legal persons (i.e. companies) and includes not just false documents and false tax returns, but also the submission of incomplete tax returns.

The text covers administrative cooperation in tax matters requiring the exchange of information that is foreseeably relevant to tax administrations. It allows parties to trigger administrative assistance that cannot be refused on the sole ground that the information requested is held by a bank or anonymous investment vehicle, and judicial assistance for acts that are punishable under the laws of the parties.

MEETINGS IN THE MARGINS OF THE COUNCIL

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

- ***Eurogroup***

Ministers of the euro area member states attended a meeting of the eurogroup on 19 October.

- ***Ministerial breakfast meeting***

Ministers, at a breakfast meeting, held an exchange of views with Sir David Tweedie, chairman of the International Accounting Standards Board, on international standards used for the valuation of financial instruments.

They also took stock of the economic situation and developments on financial markets.

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Over lunch, ministers discussed a European Investment Bank facility for lending to the EU's eastern neighbours. They also discussed financial support to the balance of payments of member states in financial difficulties (namely Latvia, Hungary and Romania).

OTHER ITEMS APPROVED**ECONOMIC AND FINANCIAL AFFAIRS****Derogation from the VAT directive for Germany**

The Council adopted a decision authorising Germany to continue to apply a measure derogating from the EU's directive on value added tax ([13502/09](#)).

The decision empowers Germany to exclude VAT from the right of deduction if it is received on goods and services which are used by a taxable person for more than 90% for non-business purposes.

Derogation from the VAT directive for Poland

The Council adopted a decision authorising Poland to apply a measure derogating from the EU's directive on value added tax ([13501/09](#)).

The decision gives Poland the right to exempt, from 1 January 2010, taxable persons whose annual turnover is no higher than EUR 30 000 instead of EUR 10 000 under the current rules.

TRADE POLICY**EU/Israel - Liberalisation of trade in agricultural and fishery products**

The Council adopted a decision approving the signing and conclusion of an agreement between the EU and Israel in order to achieve greater liberalisation of reciprocal trade in agricultural products, processed agricultural products and fish and fishery products ([12445/09](#) + [12445/09 COR 1](#)).

The decision amends the EU/Israel Euro-Mediterranean association agreement. The trade provisions of this agreement, which have been in force since 2000, include the possibility of additional mutual tariff concessions on processed agricultural products and provide that the Community and Israel will progressively liberalise their trade in agricultural fishery products.
