COUNCIL OF
THE EUROPEAN UNION

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2866th Council Meeting

Economic and Financial Affairs

Brussels, 14 May 2008

President Mr Andrej BAJUK
Minister of Finance for Slovenia

P R E S S

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Main results of the Council

The Council approved policy and procedures for improving the EU's arrangements for financial supervision and financial stability, in line with a request from the European Council which called for improvements to supervisory and regulatory arrangements at national, EU and global level.

In its conclusions, the Council set out steps to be followed in developing:

- *the EU framework for **financial market supervision**, as regards the inclusion of a European dimension into the mandates of national supervisory authorities, the improved functioning of EU committees of supervisors (committees of securities regulators, banking supervisors and insurance and occupational pensions supervisors) and the supervision of EU-wide financial groups by means of "colleges of supervisors";*

- *EU arrangements for **financial stability**, as concerns preparations for an EU-wide crisis management simulation exercise in the spring of 2009 and future work relating to deposit guarantee schemes.*

As regards procedures, the Council approved updated roadmaps for further work on:

- *the so-called Lamfalussy process for financial services and regulation and supervision;*
- *the EU financial stability arrangements;*
- *actions to be taken in response to the recent turbulence on financial markets.*

*Elsewhere, the Council adopted broad **economic policy guidelines** for the 2008-10/11 period, as endorsed by the European Council. The guidelines remain unchanged from those applied for the 2005-07 period.*

*The Council adopted conclusions dealing with **financial education**, **mortgage credits**, investment in the **Western Balkans**, the quality of **public finances** and development of the EU's **customs union**.*

*It also adopted a directive establishing an EU framework for **marine environment** policy.*

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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 Plamen Vassilev ORESHARSKI	Minister for Finance
Czech Republic:	
Mr Miroslav KALOUSEK	Minister for Finance
Denmark:	
Mr Claus GRUBE	Permanent Representative
Germany:	
Mr Peer STEINBRÜCK	Federal Minister for Finance
Estonia:	
Mr Ivari PADAR	Minister for Finance
Ireland:	
Mr Brian LENIHAN	Minister for Finance
Greece:	
Mr Ploutarchos SAKELLARIS	Chairman of the Council of Economic Advisers, Ministry of Economic Affairs and Finance
Spain:	
Mr Pedro SOLBES MIRA	Second Deputy Prime Minister and Minister for Economic Affairs and Finance
France:	
Ms Christine LAGARDE	Minister for Economic Affairs, Finance and Employment
Italy:	
Mr Giulio TREMONTI	Minister for Economic Affairs and Finance
Cyprus:	
Mr Charilaos STAVRAKIS	Minister for Finance
Latvia:	
Mr Atis SLAKTERIS	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 János VERES	Minister for Finance
Malta:	
Mr Tonio FENECH	Minister for Finance, the Economy and Investment
Netherlands:	
Mr Wouter BOS	Minister for Finance, Deputy Prime Minister
Austria:	
Mr Wilhelm MOLTERER	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 Varujan VOSGANIAN	Minister for the Economy and Finance

Slovenia:

Mr Andrej BAJUK	Minister for Finance
Mr Žiga LAVRIČ	State Secretary, Ministry of Finance

Slovakia:

Mr Ján POČIATEK	Minister for Finance

Finland:

Mr Jyrki KATAINEN	Deputy Prime Minister, Minister for Finance

Sweden:

Mr Ingemar HANSSON	State Secretary to the Minister for Finance
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 KÓVACS	Member
Mr Charlie McCREEVY	Member

Other participants:

Mr Philippe MAYSTADT	President of the European Investment Bank
Mr Xavier MUSCA	Chairman of the Economic and Financial Committee
Mr Christian KASTROP	President of the Economic Policy Committee

ITEMS DEBATED

THE QUALITY OF PUBLIC FINANCES - *Council conclusions*

The Council adopted the following conclusions, following on from discussion by ministers at an informal meeting at Brdo, near Ljubljana, on 4 and 5 April 2008:

"The Council discussed the strategies to deliver more efficient, effective and sustainable welfare systems in the European Union.

EU Member States spend between 13% and 33% of their GDP on social expenditures. The Council emphasizes that increasing the efficiency and effectiveness of social expenditures will have a crucial impact on improving and securing the quality, evolution and long term fiscal sustainability of the European social models and public finances in general. Modern social, education and labour market policies should match flexibility with security and ensure that citizens are equipped with the skills, support and incentives they need to succeed in a changing world. Over the last decade, Member States have undertaken significant efforts to reform and ensure the sustainability of their social welfare systems, in particular to cope with the challenges of ageing populations, socio-economic changes and globalisation.

The Council notes that the experiences of Member States help to identify possible directions for efficiency enhancing reforms. Whilst emphasising that there is no "one-size-fits-all" solution, the Council notes a number of general features which may support the efficiency and effectiveness of reforms of social protection systems:

– within countries it can help if different reforms (e.g. labour and pension reforms) are pursued together in a comprehensive approach taking into account all the various elements of the welfare system. Similarly it is important to consider the different levels of the public administration responsible for their implementation;

– social benefit schemes and tax-benefit systems should support the active inclusion and the life-long learning of those receiving transfer incomes with incentives to make work pay;

– social inclusion and the capacity to respond to change should be supported by policies that improve human capital formation throughout the life cycle;

– the complementarity between social and human capital spending is critical to ensure high labour participation, social inclusion, enhance the competitiveness of the EU, and control social spending;

– education in all stages has a crucial role to play within the strategy to enhance investment in human capital and tertiary education (both private and public) is a key determinant of the ability to innovate.

The strategies for enhancing efficiency and effectiveness of social spending would benefit from evaluating systematically and across countries existing policies and their impact on growth through appropriate, consistent and reliable measurement tools and indicators. A comprehensive overview of social spending would also benefit from appropriate information on private social spending as well as tax expenditures and the progressivity of tax systems. Specific tools such as performance budgeting and spending reviews or institutional arrangements including external review bodies can also help to improve cost effectiveness, budgetary discipline as well as the sustainability of social spending. Substantial gains may also be achieved through more efficient administration of social spending.

The Council:

– reconfirms the call for the EPC and the Commission to step up their efforts to improve the measurement and analysis of the quality of public finances and its impact on growth. Member States and the Commission could include analyses on effectiveness and efficiency in the Lisbon National Reform Programmes and the Community Lisbon Programme.

– invites the EPC and the Commission to continue their sectoral analysis, with a view to

  – assessing in more detail the efficiency and effectiveness of public spending on R&D and education. Given the strong relationship between higher education and productivity as well as growth, it would be desirable to develop appropriate performance measurement tools in order to assess its efficiency and effectiveness;

- analysing the economic and budgetary impact of continuing health care and pension reforms. The exchange of experiences and best practices of social spending reforms should be fostered. Understanding how different social spending categories interact with the tax system together with the development of appropriate performance measurement tools and other forms of evaluation will facilitate enhancing the efficiency and effectiveness of social spending;

- analysing the quality, sustainability as well as the efficiency and effectiveness of revenue structures and its interaction with welfare systems as well as its macroeconomic implications. In particular, the Council also reaffirms the need for Member States to exchange information on current and planned tax reforms and their impact on growth, employment and social spending within existing procedures; and

- updating the work on fiscal frameworks including work on institutional arrangements conducive to better quality of public finances, including performance budgeting and spending reviews.

The Council takes note of the progress achieved with the delivery of cross-country second-level COFOG data for public expenditure. To allow further analysis of past trends in the composition of public expenditures, the remaining gaps need to be filled quickly and best efforts should be pursued to make the data publicly available by the end of 2008 at the latest.

The Council will come back to these issues in the first half of 2009 with an analysis of the trends in the composition of public expenditures. This should include an overview of progress made with the development of measurement tools and indicators on the quality of public finances and further work on the efficiency and effectiveness of R&D and education spending in all stages."

WESTERN BALKANS INVESTMENT FRAMEWORK - *Council conclusions*

The Council adopted the following conclusions, following on from a discussion by ministers at an informal meeting at Brdo, near Ljubljana, on 4 and 5 April:

"The Council notes the progress that has been made in the Western Balkans countries in achieving transition, catching up and integration of their economies. The further anchoring of macro-economic growth and stability in the Western Balkans, underpinned by private and public investment, is a shared interest of the EU. In June 2006, the European Council welcomed "*the intention of the Commission to extend and to intensify its cooperation with the European Investment Bank and other international financial institutions in the Western Balkans with a view to taking appropriate measures aiming at a finance facility for the Western Balkans*."

The Council underlines that closer coordination is vital to ensure complementarity, coherence, effectiveness, and efficiency of assistance in the Western Balkans. The Council in this regard welcomes the initiative by the Commission in its Communication of 5 March 2008, together with the European Investment Bank, the European Bank for Reconstruction and Development and the Council of Europe Development Bank to establish a comprehensive Western Balkans Investment Framework to enhance harmonisation and cooperation in investments for socio-economic development in the region. The Council stresses the need to streamline the existing facilities in the context of the Investment Framework which should be rapidly implemented. The funding of the facilities included in the framework is based on existing commitments under Community pre-accession assistance and additional funds that may be granted by participating institutions and bilateral donors (Member States) are subject to appropriate decisions of their governing bodies or Member States concerned.

The Council welcomes the setting up of a steering group between the Commission, the EIB, the EBRD and the CEB and representatives of the Member States actively involved in the region. This Group should immediately start working to review existing instruments and define possible synergies for cooperation and harmonisation as regards investment projects in priority infrastructure and other socio-economic development areas.

The Council invites the Commission and the partner IFIs to take swift action for the implementation of the objectives mentioned above, and in this context considers the following concrete steps as a matter of priority:

– a pooling of grant resources, possibly through a joint trust fund, to help to better link and mobilise existing grant resources for priority infrastructure projects from the Commission, the partner IFIs, the Member States and other EU multilateral donors;

– the rapid establishment of a common website in 2008 providing a channel for external communication and giving potential beneficiaries an overview of the existing facilities of the participating institutions on the basis of a comprehensive inventory;

– the Council calls on the steering group to explore by the end of 2008 the possible modalities of creating a single contact point for beneficiaries, (a one stop-shop), where they could transmit their request for financial support and receive coordinated advice on the availability of financing instruments;

– the steering group should also investigate the scope for stepping up efforts in the coordination and harmonisation process of the various grant and loan instruments including with regard to the extension of the pooling of resources to other areas than infrastructure and in particular SMEs and for merging instruments of similar rationale;

– the steering group should ensure that best practice standards on monitoring and evaluation of the impact of funding are maintained;

The Council calls on the Commission, the EIB, the EBRD the CEB and Member States to cooperate closely in pursuing the above objectives and swiftly deliver on the above steps. It invites the Commission to report at least annually up to 2010 to the Council from the steering group on progress made, with the first report by the end of 2008 including more concrete milestones and a roadmap identifying persisting obstacles to the further realisation of the Western Balkans Investment Framework by 2010."

DIALOGUES WITH THIRD COUNTRIES ON ECONOMIC ISSUES

The Council was briefed by the Commission on developments in dialogues with a number of third countries and regions regarding macroeconomic affairs and financial services. It held an exchange of views on priorities for the coming months.

The discussion focused on preparations for the EU-US summit on 12 June, and for the Asia-Europe (ASEM) finance ministers meeting in Jeju, Korea, on 16 June, which will feed into the next ASEM summit in Beijing on 24-25 October. The Commission is also involved in regular exchanges with Japan, India, China and Russia.

FINANCIAL SUPERVISION AND FINANCIAL STABILITY - *Council conclusions*

The Council adopted conclusions on financial market supervision and financial stability arrangements, as well as updated "roadmaps" for further work on:

– enhancing the so-called Lamfalussy process for financial services regulation and supervision:

– EU financial stability arrangements

– actions to be taken in response to recent turbulence on financial markets.

The conclusions can be found in document 8515/3/08 REV 3 and the roadmaps in document 9056/1/08 REV 1.

FINANCIAL EDUCATION - *Council conclusions*

The Council took note of a communication from the Commission on financial education (*doc. 5250/08*), and adopted the following conclusions:

"The Council:

– RECOGNISES the importance of enhancing the financial education of consumers, in particular because of the complexity of financial products, the importance of financial decisions for households and the speed at which the financial services industry is evolving is creating ever more options for customers;

– RECALLS its conclusions of May 2007, in which it invited the Member States to "significantly step up their efforts to raise households' awareness on the latter's need to obtain proper information and education, in combination with the financial industry's own responsibilities and initiatives as appropriate, so as to increase households' preparation whilst maintaining adequate investor protection";

– WELCOMES the Commission Communication of 18 December 2007 on financial education and the growing number of initiatives developed in the EU aimed both at raising awareness of the need to address financial education and at promoting its efficient and high-quality provision;

– RECOGNISES the importance of establishing at EU level a set of tools, including an exchange of best practices, for a more effective provision of financial education, involving both the public and the private sector;

– INVITES Member States to step up their efforts to provide financial education to citizens, to increase citizens' awareness of its importance in view of future challenges for private finances (pension, health financing, housing finance) and to give consideration to the usefulness of including financial literacy in school curricula, bearing in mind the principles identified in the Commission Communication, including training at all stages of life and programmes targeting the specific needs of each group of recipients, so that financial education consistently fulfils the criteria of transparency and objectivity;

– ENCOURAGES the Commission to pursue its efforts to facilitate the provision of financial education by the Member States and stakeholders, in particular by the creation of a network of financial education practitioners, providing support for events promoting financial education, the publication of a European-wide database of financial education schemes and research, as well as the enhancement of EU online tools for spreading practical knowledge of how to teach financial issues;

– LOOKS FORWARD to the results of the comprehensive review announced by the Commission for 2010."

MORTGAGE CREDITS - *Council conclusions*

The Council took note of a Commission white paper on the integration of EU mortgage credit markets (doc. 5128/08), and adopted the following conclusions.

"The Council:

– RECALLS its conclusions of May 2006 on the Commission White Paper on the Financial Services Policy 2005-2010, where it welcomed "the initiatives proposed by the Commission, stressing that progress in the greater integration of retail markets is a challenge for 2005-2010 in order to strengthen competition and ensure an appropriate level of consumer protection;"

– STRESSES the importance of mortgage credit for both EU citizens and the economy at large and of tackling barriers in order to achieve greater integration of mortgage credit markets, so that EU consumers and mortgage lenders can take full advantage of the benefits of the Single Market;

– WELCOMES in that regard the Commission White Paper on the integration of EU mortgage credit markets;

– SUPPORTS the Commission's overarching goal of achieving competition and efficiency of EU mortgage credit markets and the four general objectives it has put forward to this end in the White Paper, namely: to facilitate the cross-border supply and funding of mortgage credit; to increase product diversity, combined with strong consumer protection and adequate financial stability; to improve consumer confidence and to facilitate customer mobility;

– RECOGNISES that the potential for integration is determined by a range of factors including culture, language and customer preferences, and that further integration is therefore likely to be supply driven rather than demand driven in the foreseeable future;

- ENCOURAGES the Commission to continue assessing the costs and benefits of the various policy options for achieving further integration, including as regards possible legislation for relevant areas in accordance with the "Better regulation" principles;

- WELCOMES the approach used by the Commission, which relies on a rigorous impact assessment of the various policy options for meeting the four general policy objectives, and in particular the ones that are crucial to improve consumer confidence and empowerment, and to improve the cross-border supply and funding of mortgage credit;

- SUPPORTS in this context the Commission 's intention to assess the benefits and costs of different policy options on issues such as access to credit registers and (other) tools to assess potential borrowers' creditworthiness on a cross-border basis; options on early repayment; options to improve the quality and the comparability of information (incl. enhancing pre-contractual information and further harmonising the Annual Percentage Rate of Charge), and options to promote both responsible lending and borrowing;

- REITERATES in line with the (aforementioned) Council conclusions of May 2006 on the Commission White Paper on the Financial Services Policy 2005-2010 the importance of strengthening consumer input in this process, for example concerning broad consumer testing of possible information requirements;

- ENCOURAGES the Commission to proceed with the proposed initiatives in accordance with the timetable put forward in the White Paper;

- In terms of policy options going forward, WELCOMES the Commission's intention to design and to regularly update 'scoreboards' presenting objective information on the cost and duration of land registration and foreclosure procedures in all Member States; and

- LOOKS forward to the Commission's announced Recommendation on valuation, land registers and foreclosure procedures, expected this year."

EU BUDGET - PRELIMINARY DRAFT BUDGET FOR 2009

The Council took note of the presentation by the Commission of its preliminary draft of the EU's general budget for 2009.

It asked the permanent representatives committee to examine the preliminary draft with a view to enabling the Council, at its meeting on 17 July, to establish a draft budget at first reading. On 4 March, it approved guidelines setting out principles for the preparation of the 2009 budget (*doc. 6704/08*).

In its preliminary draft, the Commission proposes a total of EUR 134.4 billion in commitment appropriations (+3.1% compared with 2008) and EUR 116.7 billion in payment appropriations (-3.3% compared with 2008). Commitment appropriations represent 1.04% of EU gross national income, and payment appropriations amount to 0.90%.

COMBATING VAT FRAUD

The Council was briefed by the Commission on the preparation of measures aimed at combating value-added tax (VAT) fraud more effectively, whilst avoiding the creation of an undue administrative burden on businesses.

VAT fraud costs the EU more than EUR 100 billion every year. The free circulation of goods within the internal market since 1993 has accentuated the need for strengthened cooperation amongst member states in fighting both VAT fraud and other forms of tax fraud.

In November 2006, the Council agreed to establish a strategy at EU level to complement national efforts in combating tax fraud, especially with regard to VAT fraud. In June 2007, it asked the Commission to present legislative proposals aimed specifically at reinforcing the VAT system.

The Commission presented a first proposal in March, and the Council has asked it to accelerate work so as to present further measures before the end of the year.

The Commission intends to present a further package of measures in October , along with a communication announcing the different legislative proposals and setting out the coherence of its envisaged approach, as well as a timetable.

The first package of measures is expected to cover

- joint and several liability, i.e. making a trader established in one member state liable for tax losses in another member state in cases where non compliance has facilitated a fraud;

- exemptions from VAT on importation, introducing more precise rules for implementation of such exemptions, so as to prevent abuses,

- recovery of taxes, namely measures aimed at improving the cross-border collection of taxes.

TAXATION OF SAVINGS - *Council conclusions*

The Council took note of an informal interim assessment by the Commission of the functioning of directive 2003/48/EC on the taxation of savings income. It held an exchange of views.

It adopted the following conclusions:

"The Council calls on the Commission to submit the report pursuant to Article 18 of the Directive on the taxation of savings income in the form of interest payments by 30 September 2008 at the latest, to be followed by specific proposals based on the report. Member States are asked to provide the Commission with the necessary statistical and other data."

Article 18 of the directive requires the Commission to report every three years on the implementation of the directive and, where appropriate, to propose any amendments that prove necessary in order to ensure effective taxation of savings income and remove distortions of competition.

At its meeting on 4 March, the Council asked the Commission to accelerate preparation of its first three-year report, and as an interim step, the Commission agreed to present an informal assessment.

The savings tax directive requires member states to exchange information on interest paid in one member state to individual savers resident in another member state, so as to allow the interest to be taxed in the member state of tax residence.

For a transitional period[1], Belgium, Luxembourg and Austria may instead impose a withholding tax on interest paid to individual savers resident in other member states. The tax rate is 15% for the first three years of the transitional period, 20% for the subsequent three years and 35% thereafter. The three member states must transfer 75% of the tax revenue to the member state of tax residence, retaining 25% to cover their own administrative costs.

The directive covers the taxation of savings income in the form of interest payments, including income from deposit accounts, government securities and corporate bonds, as well as collective undertakings that invest more than 40% of their assets in debt securities (more than 25% as from 2011). The directive has been applied since 1 July 2005.

Savings tax measures that are equivalent to those of the directive are also applied in Andorra, Liechtenstein, Monaco, San Marino and Switzerland under specific agreements concluded with the EU.

The same measures are also applied in ten dependent and associated territories of the Netherlands and the United Kingdom (Guernsey, Jersey, the Isle of Man and seven Caribbean territories) under specific agreements concluded with each of the member states.

The Council will examine in greater detail the functioning of the directive once it has received the Commission's full report.

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[1] The length of the transitional period depends on Andorra, Liechtenstein, Monaco, San Marino, Switzerland and the United States being committed to exchange of information upon request as defined in a 2002 OECD model agreement

TAX ISSUES IN AGREEMENTS WITH THIRD COUNTRIES - *Council conclusions*

The Council adopted the following conclusions:

"The Council:

1. CONSIDERS that recent events involving tax fraud and evasion have proven the need to tackle this throughout the world and to reinforce efforts to combat cross-border tax fraud and evasion in the area of taxation.

2. UNDERLINES the importance of implementing, on as broad a geographical basis as possible, the principles of good governance in the tax area, i.e. the principles of transparency, exchange of information and fair tax competition, as subscribed to by Member States at Community level. Good governance in the tax area is not only an essential means for combating cross-border tax fraud and evasion, but can strengthen the fight against money laundering, corruption, and the financing of terrorism.

3. RECOGNISES the need to include in relevant agreements to be concluded with third countries by the Community and its Member States, without prejudice to their respective competences, a specific provision on good governance in the tax area, and considers the following text to be appropriate in this respect:

4. *"With a view to strengthening and developing economic activities while taking into account the need to develop an appropriate regulatory framework, the Parties recognise and commit themselves to implement the principles of good governance in the tax area as subscribed to by Member States at Community level. To that effect, without prejudice to Community and Member States' competences, the Parties will improve international cooperation in the tax area, facilitate the collection of legitimate tax revenues, and develop measures for the effective implementation of the abovementioned principles."*

5. STRESSES its attachment to the furtherance of good governance in the tax area with respect to ongoing and future negotiations.

6. Within the framework of the applicable Treaty provisions, the Commission will inform and consult, whichever is appropriate, the relevant Council bodies, with due diligence and timely, on any question relating to the specific provision on good governance in the tax area which may arise in the process of the negotiations of the international agreements referred to above."

CUSTOMS UNION - *Council conclusions*

The Council held an exchange of views on the further development of the EU's customs union, on the basis of a communication from the Commission. It adopted the following conclusions:

"THE COUNCIL,

RECALLING the crucial role played by the Customs Union since 1968 as a foundation of the European Union;

RECALLING the objectives set by the Lisbon Strategy, as relaunched by the European Council of 22 and 23 March 2005, for the Union "to renew the basis of its competitiveness, increase its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital";

RECALLING the recent adoption of the Regulation of the European Parliament and of the Council on a modernised customs code and of the Decision of the European Parliament and of the Council on a paperless environment for customs and trade, which are major steps taken by the Union with a view to meeting the above objectives;

RECALLING the Decision of the European Parliament and of the Council establishing an action programme for customs in the Community (Customs 2013);

RECALLING that the Council, at its meeting on 4 December 2006, recognised the central role of customs in making progress towards establishing Single Window/One Stop Shop services, bringing together administrations involved in import and export of goods;

RECALLING the Council Resolution of 30 May 2001 concerning a strategy for the Customs Union and the Council Resolution of 2 October 2003 on a strategy for customs cooperation;

1. UNDERLINES that customs authorities of the European Community, being the principal authority with an overview of the import and export of goods and the international supply chain, in a context of rapid increase of trade, should maintain a permanent balance between safety and security concerns and the protection of society and of the financial interests of the European Community and of the Member States, on the one hand, and the facilitation of legitimate trade and the enhancement of the competitiveness of the European economy, on the other;

2. WELCOMES the Commission Communication entitled "Strategy for the evolution of the Customs Union", and ENDORSES in particular:

   – the role of customs, with regard to the trade, financial, fiscal, safety and security interests of the Union; and

   – the common strategic objectives;

3. CONSIDERS that to achieve such objectives, customs authorities should have a sufficient level of investment in skills, competences, resources and technologies;

4. STRESSES that customs should focus on:

   – increasing competitiveness, by facilitating legitimate trade, in particular by further developing Single Window services and new control methods (system-based approach);

   – the enhancement of safety and security, notably regarding the fight against counterfeiting and piracy, and the capacity to rapidly react to crises, as well as the protection of the financial interests of the European Community and Member States and the fight against fraud;

   – the enhancement of cooperation with economic operators, other governmental authorities, international organisations, and third countries;

5. INVITES the Commission to develop a single comprehensive implementation plan by the end of 2009, in close cooperation with the Member States, in order to achieve these objectives, and to report on the progress to the Council by 2011."

MEETINGS IN THE MARGINS OF THE COUNCIL

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

– ***Eurogroup***

Ministers from the euro area member states attended a meeting of the Eurogroup on 13 May.

– ***Ministerial dialogue with the EU candidate countries***

Ministers held their annual economic policy dialogue with the finance ministers and central bank representatives of the EU candidate countries (Croatia, Turkey and the Former Yugoslav Republic of Macedonia).

*

* *

Over lunch, ministers held an exchange of views on principles to be applied in preparing a new EU system of VAT rates. They were briefed on the eurogroup meeting held on 13 May, as well as on the appointment of a steering committee to supervise and manage an external evaluation of the European Investment Bank's current term of lending.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Broad economic policy guidelines and country-specific recommendations

The Council , following endorsement from the European Council on 13-14 March, adopted two recommendations concerning:

– The EU's broad economic guidelines (BEPGs) for the 2008-2010 period. The new BEPGs remain broadly unchanged from those applied for 2005-2007. The guidelines aim to secure sound macroeconomic policies and structural reforms on product, labour and capital markets that are essential for supporting well balanced economic growth and achieving full growth potential *(8274/08)*.

– The 2008 update of the EU's country-specific integrated recommendations on economic and employment policies. The recommendations are based on an analysis of the annual reports on implementation of the members states' national reform programmes *(8276/08)*.

EU statistical programme - Amendments to the EEA agreement

The Council approved a draft decision, to be adopted by the European Economic Area (EEA) joint committee, amending the EEA agreement so as to extend cooperation to cover the EU's 2008-2012 statistical action programme *(8243/08)*.

EXTERNAL RELATIONS

Democratic Republic of Congo - Restrictive measures

The Council adopted a common position on restrictive measures against the Democratic Republic of Congo, implementing UN Security Council resolution 1807 (2008) adopted in March (*8278/08*).

UNSCR 1807 (2008) provides for new exemptions from the restrictive measures currently in force regarding the arms embargo, asset freeze and travel ban, and lists the criteria for designation by the UN sanctions committee of individuals and entities subject to an asset freeze and travel ban. It also extends the measures until 31 December 2008.

For the sake of clarity, the existing measures imposed by common position 2005/440/CFSP and the measures to be imposed to implement the UN resolution are integrated in a single act. Common position 2005/440/CFSP is thus repealed.

Agreement with the Former Yugoslav Republic of Macedonia - EU enlargement

The Council approved a protocol to the stabilisation and association agreement with the former Yugoslav Republic of Macedonia to take account of the accession of Bulgaria and Romania to the EU in January 2007 (*16731/07*).

Weapons of mass destruction – EU support to third countries

The Council adopted a joint action. in support of the United Nations Security Council resolution 1540 (2004) and subsequent resolutions 1673 and 1810 (*7034/08*).

The joint action is one of a number of measures adopted by the EU under its strategy to combat the proliferation of weapons of mass destruction.

Projects envisaged by the joint action are aimed at strengthening the skills and capacities of third states' officials involved in the export control process. They consist of a series of thematic workshops in targeted regions of Africa, Central and South America, South East Asia, Pacific islands and Arab states.

UNSCR 1540, adopted in 2004, is the first international instrument to deal in an integrated and comprehensive manner with weapons of mass destruction, their means of delivery and related materials. It establishes binding obligations for all states, aimed at preventing and deterring non-state actors from accessing such weapons.

In 2006, the Council adopted a first joint action (2006/419/CFSP) in support of UNSCR 1540. The new joint action builds on the experience and lessons learnt from implementation of the first joint action, shifting the focus from outreach to capacity building.

The EU's strategy contains a list of measures to combat such proliferation to be taken both within the EU and in third countries. The EU is giving effect to these measures in particular through financial resources to support projects conducted by multilateral institutions, providing states in need with technical assistance and fostering the role of the United Nations Security Council.

Relations with Switzerland - Swiss financial contribution for Bulgaria and Romania

The Council and representatives of the member states adopted conclusions approving the signature of an agreement with Switzerland on a financial contribution from Switzerland for the benefit of Bulgaria and Romania, following their accession to the EU on 1 January 2007 (*8681/08*).

The agreement takes the form of an addendum to a memorandum of understanding that established a Swiss financial contribution for the ten member states that joined the EU in 2004, and follows signature last December of individual framework agreements between the Swiss Federal Council and each of the ten. The financial contribution, destined for the EU's less developed regions, is a counterpart to Switzerland's access to the EU's single market.

The financial contribution for Bulgaria and Romania amounts to CHF 257 million for a period of five years starting from the approval of the funds by the Swiss parliament, of which CHF 181 million will go to Romania and CHF 76 million to Bulgaria.

The conclusions call on the two countries to conclude bilateral arrangements with Switzerland on the modalities for granting the funds.

EUROPEAN SECURITY AND DEFENCE POLICY

EU military exercise MILEX 09

The Council approved exercise specifications for the EU military exercise "MILEX 09" which will be conducted in June 2009.

MILEX 09 will exercise and evaluate military aspects of EU crisis management at military strategic and operational level based on a scenario for an EU-led military operation without recourse to NATO common assets and capabilities.

The exercise will concentrate on the interaction between the EU operation headquarters and the EU force headquarters in an EU-led military operation which includes maritime aspects.

DEVELOPMENT COOPERATION

Fluctuations in export earnings – ACP-EU agreement

The Council approved a draft decision to be adopted by the ACP-EU council of ministers aimed at improving the terms and conditions of financing for short-term fluctuations in export earnings (FLEX) *(8063/08)*.

The decision is deemed necessary for correcting the methodological and operational problems that came to light during the initial years of implementation of the FLEX instrument. The three main factors that affect implementation of FLEX, namely the eligibility criteria, the method of calculating and mobilising FLEX funds and the source of financing, will therefore be revised.

The ACP-EU partnership agreement sets up a system of additional support to mitigate the adverse effects of any instability in export earnings. The system was amended for the first time in 2004.

JUSTICE AND HOME AFFAIRS

European migration network

The Council adopted a decision establishing a European migration network (*8393/08*).

The decision formally establishes the network - already launched in 2003 as a pilot project - and gives it a legal basis setting its objectives, tasks and structure, as well as other elements important for its operation, such as funding and the setting up of an information exchange system open to the public.

The network is intended to meet the information needs of Community institutions and member states' authorities as regards migration and asylum, providing up-to-date, objective, reliable and comparable information on migration and asylum, with a view to supporting policy-making in the European Union in these areas. It will also provide the general public with information on these subjects.

The network will be composed of national contact points (at least three experts) in each member state and the Commission.

TRADE POLICY

Anti-dumping - Castings from China

The Council adopted a regulation amending regulation 1212/2005 imposing a definitive anti-dumping duty on imports of certain castings originating in China *(8654/08)*.

Korea - Trade and cooperation agreement

The Council adopted a decision authorising the Commission to negotiate an update or renewal of the framework agreement for trade and cooperation with the Republic of Korea.

ENERGY

Relations with Turkmenistan – Cooperation in the field of energy

The Council endorsed a memorandum of understanding on cooperation with Turkmenistan in the field of energy.

ENVIRONMENT

Marine strategy directive

The Council adopted a directive on Community action in the field of marine environmental policy, accepting the amendments voted by the European Parliament at second reading (*3695/07+ 7634/08 ADD1*).

The directive establishes a framework for the protection and preservation of the marine environment, the prevention of its deterioration and, where practicable, the restoration of the environment in areas where it has been adversely affected.

For that purpose, each member state will develop and implement strategies for its marine waters in a regional cooperation framework, aimed at achieving or maintaining "good environmental status" in the marine environment by the year 2020 at the latest. The marines strategies will be regularly updated and made available to the public.

"Good environmental status" implies that seas are ecologically diverse and dynamic, clean, healthy and productive, and that their use is sustainable, safeguarding the potential for use by current and future generations.

Amendments of environmental acts under the regulatory procedure with scrutiny

The Council decided not to oppose a list of measures to be adopted by the Commission, with a view to amending several legal acts in the field of environment. The Commission may now adopt the proposed measures, in accordance with the "comitology decision", unless the European Parliament opposes them.

A new regulatory procedure with scrutiny was introduced by decision 2006/512/EC ("comitology decision"), to be used for measures of general scope that seek to amend non-essential elements of a basic instrument adopted under the Parliament-Council co-decision procedure.

The legal acts to be amended in terms of the implementing powers conferred on the Commission are as follows:

– annex II to directive 2000/53/EC on end-of-life vehicles;

– directive 98/8/EC to include as active substances: difenacoum, carbon dioxide, IPBC, tebuconazole, cyclohexylhydroxydiazene 1-oxide, potassium salt (K-HDO), propiconazole, thiabendazole and thiamethoxam;

– the non-inclusion of certain substances in directive 98/8/EC concerning the placing of biocidal products on the market;

– the establishment of a common methodology for the calculation of annual sales of portable batteries and accumulators to end-users, pursuant to directive 2006/66/EC.

TRANSPORT

Interoperability of the rail system within the Community *

The Council adopted a directive on the interoperability of the rail system within the Community (*3701/07, 6412/08 ADD1*).

The directive sets a legislative framework aimed at lowering barriers to the placing in service of railway vehicles. Cross-acceptance amongst member states is improved by applying the principle of mutual recognition more systematically and by harmonising national authorisation procedures.

The directive incorporates the principle that once a member state has authorised a type of vehicle, all vehicles of the same type will be automatically authorised for placing in service in that member state. In order to facilitate the identification of vehicle types that have already been authorised in member states, a register of authorised types of rolling stock will be set up by the European Railway Agency.

The directive is one of a series of proposals submitted by the Commission in December 2006, aimed at improving cross-acceptance of railway vehicles and thus improving the functioning of the internal market. The proposals also include a proposal to amend the safety directive (*17039/06*) and a proposal to amend the regulation on the European Railway Agency (*17040/06*).

At present, a railway vehicle authorised to operate in one member state is not automatically authorised in another. Before granting an authorisation, a member state can set additional requirements, in particular with regard to safety, and require additional checks on compatibility with its infrastructure. This practice leads to high costs for manufacturers, which have to apply for an authorisation in each member state where they wish their railway vehicle to be put into service, and makes it more difficult and more expensive for railway companies to purchase new vehicles.

Checks on the transport of dangerous goods by road - Regulatory procedure

The Council adopted a directive amending Council directive 95/50/EC on uniform procedures for checks on the transport of dangerous goods by road, adjusting the existing directive to the regulatory procedure with scrutiny (3617/08).

A new regulatory procedure with scrutiny was introduced by decision 2006/512/EC ("comitology decision"). It is intended for measures of general scope which seek to amend non-essential elements of a basic instrument adopted under the Parliament-Council co-decision procedure.

SOCIAL POLICY

EU social security schemes

The Council adopted a regulation amending EU rules for the application of social security schemes to workers and members of their families moving within the EU (*3610/08 + 8178/07*).

The regulation updates regulation 1408/71 in order to take account of recent changes in the national legislations of Austria, Denmark, France, Germany, Hungary, Ireland, the Netherlands and Poland.

INSTITUTIONAL AFFAIRS

Court of First Instance - Amendments to rules of procedure

The Council approved amendments to the rules of procedure of the Court of First Instance with a view to improving efficiency *(8344/08)*.

A number of amendments are intended to:

– facilitate the conduct of proceedings when a case is referred to a formation of the Court composed of a greater number of judges; and

– enable the Court to cope with an increasing number of intellectual property cases.

Under the treaty, the Court of First Instance establishes its rules of procedure in agreement with the Court of Justice. The rules require the approval of the Council.