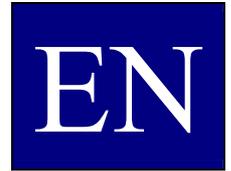




**COUNCIL OF  
THE EUROPEAN UNION**



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**PROVISIONAL VERSION**

**PRESS RELEASE**

2804th Council meeting

**Economic and Financial Affairs**

Luxembourg, 5 June 2007

President      **Mr Peer STEINBRÜCK**  
Federal Minister of Finance of Germany

**P R E S S**

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## **Main results of the Council**

*The Council adopted decisions closing the **excessive deficit procedures** it opened in 2003 and 2004 with regard to **Germany, Greece and Malta**, after they succeeded in reducing their government deficits below the 3% of gross domestic product (GDP) maximum threshold set by the EU's stability and growth pact.*

*After the recent abrogation of the decision on France, only seven excessive procedures now remain in force, concerning the Czech Republic, Italy, Hungary, Poland, Portugal, Slovakia and the United Kingdom. To some extent, the improvement is due to the improvement in the economy. At the same time, however, the 2005 reform of the EU's stability and growth pact has encouraged member states to consolidate their budgets during the good times.*

*The Council adopted conclusions on **tax fraud**, and on a package of measures aimed at **simplifying VAT arrangements for businesses**. As regards tax fraud, it called on the Commission to come forward with legislative proposals to improve the efficiency of a wide range of conventional anti-fraud measures, and to explore more far reaching anti-fraud measures including taxation in the member state of departure, and including an analysis of the effects of an optional reverse-charge system – where liability for tax payments would be shifted from the supplying to the recipient company – as a possible means of combating VAT fraud.*

*The Council also assessed progress made by **Cyprus and Malta** in fulfilment of convergence criteria with a view to allowing them to **adopt the euro as their currency on 1 January 2008**. Proposals to this effect will be referred to heads of state/government for discussion at a Council meeting in the margins of the European Council on 21 and 22 June.*

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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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**PARTICIPANTS**

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

**Belgium:**

Mr Jan DE BOCK Permanent Representative

**Bulgaria:**

Mr Plamen Vassiler ORESHARSKI Minister for Finance

**Czech Republic:**

Mr Tomáš ZÍDEK Deputy Minister for Finance, International Relations and Financial Policy

**Denmark:**

Mr Thor PEDERSEN Minister for Finance

**Germany:**

Mr Peer STEINBRÜCK Federal Minister for Finance  
Mr Thomas MIROW State Secretary, Federal Ministry of Finance

**Estonia:**

Mr Ivari PADAR Minister for Finance

**Ireland:**

Mr Bobby MCDONAGH Permanent Representative

**Greece:**

Mr Georgios ALOGOSKOUFIS Minister of National Economy and Finance

**Spain:**

Mr Pedro SOLBES MIRA Second Deputy Prime Minister and Minister for Economic Affairs and Finance

**France:**

Mr Pierre SELLAL Permanent Representative

**Italy:**

Mr Rocco Antonio CANGELOSI Permanent Representative

**Cyprus:**

Mr Michalis SARRIS Minister for Finance

**Latvia:**

Mr Oskars SPURDZIŅŠ Minister for Finance

**Lithuania:**

Mr Rimantas ŠADŽIUS Deputy Minister for Finance

**Luxembourg:**

Mr Jean-Claude JUNCKER Prime Minister, "Ministre d'Etat", Minister for Finance

**Hungary:**

Mr János VERES Minister for Finance

**Malta:**

Mr Lawrence GONZI Prime Minister, Minister for Finance

**Netherlands:**

Mr Jan Kees de JAGER State Secretary for Finance

**Austria:**

Mr Wilhelm MOLTERER Vice Chancellor and Federal Minister for Finance

**Poland:**

Mr Jacek DOMINIK Deputy State Secretary, Ministry of Finance

**Mr Portugal:**

Mr Fernando TEIXEIRA DOS SANTOS Ministro de Estado, Minister for Finance

**Romania:**

Mr Varujan VOSGANIAN Minister for the Economy and Trade

**Slovenia:**

Mr Andrej BAJUK

Minister for Finance

**Slovakia:**

Mr Ján POČIATEK

Minister for Finance

**Finland:**

Mr Jyrki KATAINEN

Deputy Prime Minister, Minister for Finance

**Sweden:**

Mr Anders BORG

Minister for Finance

**United Kingdom:**

Mr Ed BALLS

Economic Secretary to the Treasury

.....

**Commission:**

Mr Joaquin ALMUNIA

Member

Mr László KOVÁCS

Member

.....

**Other participants:**

Mr Lucas PAPADEMOS

Vice-President of the European Central Bank

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Xavier MUSCA

Chairman of the Economic and Financial Committee

Mr Joe GRICE

Chairman of the Economic Policy Committee

**ITEMS DEBATED**

**EXCESSIVE DEFICIT PROCEDURE**

The Council closed the excessive deficit procedures it opened in 2003 and 2004 with regard to Germany, Greece and Malta, after all three countries succeeded in reducing their government deficits below 3% of gross domestic product (GDP), the maximum threshold set by the EU's stability and growth pact.

It adopted decisions, under article 104(12) of the Community treaty, abrogating decisions 2003/89/EC, 2004/917/EC and 2005/186/EC on the existence of excessive deficits in Germany, Greece and Malta.

**Germany**

The Council considered Germany's deficit – which stood at 1.7% of GDP in 2006, compared with 4% in 2003 – to have been reduced in a credible and sustainable manner, given also that the Commission services' spring forecast projects the deficits for 2007 and 2008 to be further reduced. It noted, however, that Germany's government debt amounted to 67.9% in 2005 -- well above the EU's 60% reference value -- and is projected to remain at 65.4% in 2007.

The excessive deficit procedure was opened after Germany ran up a deficit in 2002 amounting to 3.7% of GDP. Decision 2003/89/EC was adopted by the Council in January 2003, under article 104(6) of the treaty, along with a recommendation under article 104(7) setting out measures to correct it.

Germany's deficit however remained at 3.2% of GDP in 2005, still above the maximum threshold, and in March 2006 the Council adopted a decision, under article 104(9) of the treaty, giving notice to Germany to bring the deficit below 3% whilst extending the deadline for the correction.

## **Greece**

The Council considered Greece's deficit – which stood at 2.6% of GDP in 2006, compared with 7.9% in 2004 – to have been corrected in a credible and sustainable manner, given also that the Commission services' spring forecast projects the deficits for 2007 and 2008 to remain below 3%. It noted, however, that Greece's government debt amounted to 108.5% of GDP in 2004 and is projected to fall to 97.5% in 2008, still much above though sufficiently diminishing towards the EU's 60% reference value.

The excessive deficit procedure was opened after Greece ran up a deficit in 2003 estimated initially at 3.2% of GDP. Decision 2004/917/EC was adopted by the Council in July 2004, under article 104(6) of the treaty, along with a recommendation under article 104(7) setting out measures to correct it.

In September 2004, the Greek authorities presented revised data that indicated that the government deficit had been in excess of 3% of GDP since 2000, and the deficits for 2000 to 2003 were revised upwards by more than two percentage points of GDP each year. Further revisions followed.

In January 2005, the Council adopted a decision, under article 104(8) of the treaty, establishing that Greece had not taken effective action in response to its July 2004 recommendation. In February 2005, it adopted a decision, under article 104(9), giving notice to Greece to bring the deficit below 3% of GDP whilst extending the deadline for the correction.

Greece's national statistical service has taken a number of measures to improve the quality of the deficit and debt data reported to the Commission, and this has led to a significant reduction in discrepancies. As a result, Eurostat in October 2006 withdrew its reservation on the quality of the figures, and although unexplained discrepancies still remain, it is unlikely that any future revision would raise the 2006 deficit above the 3% threshold.

**Malta**

The Council considered that Malta's deficit – which stood at 2.6% of GDP in 2006 -- to have been reduced in a credible and sustainable manner, given also that the Commission services' spring forecast projects the deficits for 2007 and 2008 to be further reduced. It noted, however, that Malta's government debt is expected to remain around 66% of GDP in 2007 -- still above the EU's 60% reference value -- falling to 64.3% in 2008.

The excessive deficit procedure was opened after Malta ran up a deficit in 2003 amounting to 9.7% of GDP. Decision 2005/186/EC was adopted by the Council in July 2004 under article 104(6) of the treaty, a few weeks after Malta's accession to the EU, along with a recommendation under article 104(7) setting out measures to correct.

Closure of Malta's excessive deficit procedure is a necessary precondition for Malta's adoption of the euro on 1 January next year (see p. 10).

**ENLARGEMENT OF THE EURO AREA – REPORTS ON CYPRUS AND MALTA**

The Council examined:

- reports from the Commission and the European Central Bank<sup>1</sup> on progress made by Cyprus and Malta in fulfilment of convergence criteria and of their obligations regarding economic and monetary union in the EU;
- proposals for Council decisions aimed at allowing the two countries to join the euro area as from 1 January 2008.

The Council shared the Commission's assessment that Cyprus and Malta have achieved a high degree of sustainable convergence, and therefore fulfil the necessary conditions for adoption of the euro as their currency.

The presidency will report on the outcome of the Council's discussion to heads of state/government at a Council meeting on 21 June in the margins of the European Council. It is then expected that the Council will take a decision at its meeting on 10 July.

The proposed Council decisions would abrogate for Cyprus and Malta what is considered as a derogation as from 1 January 2008.

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

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<sup>1</sup> *Docs 9689/07 + ADD 1, 9696/07 + ADD 1 and 9701/07.*

The reports examine the compatibility of the member state's legislation with treaty provisions and with the statute of the European system of central banks. They also examine the fulfilment by the member state of the convergence criteria -- price stability, government budgetary position, exchange rate stability and long-term interest rates -- and several other factors.

**THE QUALITY OF PUBLIC FINANCES**

The Council took note of a report from the economic policy committee (*doc. 9936/07*) and adopted the following conclusions.

- "1. Increasing the efficiency of public spending and improving the quality of revenue structures are important elements of the Lisbon strategy for growth and jobs and will contribute to meeting the objectives of the Stability and Growth Pact.
2. The Council welcomes the report prepared by the Economic Policy Committee and the Commission in response to a mandate of January 2006, discussing the work already accomplished and the way forward on the issue of quality of public finances.
3. The Council emphasizes the need to optimise public sector activities and to achieve better outcomes given limited public funds. Comparisons of efficiency in important spending areas reveal significant differences across Member States, and in many cases policy outcomes could be improved.
4. Member States already developed a number of strategies to improve spending efficiency, including more use of performance information with a view to enhancing the transparency of the budget process. The use of performance information in the budget process is an important tool for decision-making - moving the focus away from spending towards actual achievements. More systematic and independent evaluation of existing policies could help to strengthen the efficiency of public spending. There is a strong need for making better use of already available information.
5. The Council furthermore considers that the measurement of efficiency and effectiveness has to be developed further, based upon comprehensive and more comparable data on inputs, outputs and outcomes. Analysing efficiency and effectiveness for individual spending areas appears most promising to increase value for money. A more robust methodology and measurement framework should be established. Member States and the Commission could include analyses on effectiveness and efficiency in the Lisbon National Reform Programmes and the Community Lisbon Programme.

6. The Council also welcomes changes and improvements related to national fiscal rules and institutions implemented by Member States, as well as the more extensive use at national level of medium-term budgetary frameworks for budgetary planning. This may contribute to achieving better budgetary outcomes and increasing public spending efficiency.
7. Ministers also took note of some recent spending trends in Member States. They consider that a sound database is crucial in order to better analyse the structure of long-term spending trends and is an important prerequisite to ensure value for money within and across countries in line with the growth objectives of the Lisbon strategy. Member States, in particular those lagging behind in data transmission, should in close cooperation with Eurostat step up their efforts to compile and disseminate so-called COFOG economic functions data in compliance with earlier requests by the Council.
8. Although a certain stabilisation in the overall tax to GDP ratio can be observed, and many important tax structure reforms have been carried out in Member States, the challenges ahead linked to globalisation, mobility, ageing, and the consolidation of public finances raise difficult political and practical issues. The Council therefore stresses the need for revenue systems that can enhance growth and employment and deliver as stable as possible revenues. It encourages Member States in their national responsibilities to move further towards robust, fair, efficient and growth-enhancing revenue systems.
9. The Council:
  - takes note of the progress achieved concerning the work on national fiscal rules and institutions and supports the proposed way forward with a specific focus on the impact of the institutional settings on the composition, transparency and efficiency of public budgets.
  - takes note of the progress made on the availability of data, and invites Eurostat and the National Statistical Offices to further step up their efforts in the provision of detailed COFOG level II data, in particular for education, health care and social protection, and some specific items such R&D and basic research by the year 2008 at the latest.

- invites the EPC and the Commission to develop further the analysis and measurement of public expenditure efficiency and effectiveness, in particular by deepening the analysis in the areas of R&D and education against the background of the 'social bridges' discussion, and to explore areas of future work, such as health care, aspects of social transfers and infrastructure.
  
- takes note of the Commission and the EPC work on the quality and efficiency of public revenue structures and reaffirms the need for Member States to exchange information on current and planned tax reforms and their impact on growth and employment within existing procedures.
  
- will return to the issue of reforms to improve efficiency in public administration on the basis of an exchange of best practices in the autumn."

## **COMBATING TAX FRAUD**

The Council adopted the following conclusions.

" The Council emphasises that tax fraud, especially that in the field of indirect taxation, must be tackled effectively and decisively in the interests of honest entrepreneurs and Member State budgets. The Council already agreed on 28 November 2006 on the urgent need to establish at Community level an anti-fraud strategy to combat tax fraud, especially tax fraud in the field of indirect taxation, to complement national efforts in this regard.

### I. Conventional measures

With regard to the conventional anti-fraud measures put forward by the European Commission in its communication of 31 May 2006 (COM(2006) 254 final) concerning the fight against fiscal fraud, the Council gave the European Commission the requested guidance on 28 November 2006. It asked the European Commission to prepare the elements of a Community anti-fraud strategy in close cooperation with the Member States and highlighted the aspects which are to be given priority.

On 28 November 2006 the Council requested the European Commission to report to it on the progress made on these aspects and to present an outline of an EU anti-fraud strategy at its meeting in June 2007. This the European Commission has done.

The Council acknowledges the report of the European Commission and the proposed measures mentioned therein. It is agreed that, as a first step, the following proposed measures will be given high priority:

- to introduce amendments in declaring intra-Community supplies, with the aim of reducing timeframes;
- to ensure more rapid sharing of such information among tax administrations;

- to examine joint and several liability where information on intra-Community supplies has not been provided or has not been correctly provided to the extent that leads to loss of VAT at a subsequent stage;
- to improve confirmation messages and information on business identified for VAT purposes to operators active in intra-Community trade without hampering the risk analyses applied by Member States.

The Council invites the European Commission to come forward with the necessary legislative proposals including an impact assessment by the end of 2007, at the latest, so that the Council can adopt these by the end of 2008 .

Furthermore, the Council invites the European Commission to promptly examine all the measures to combat tax fraud proposed by Member States and mentioned in the annex to its report (doc. 10052/07 FISC 88), and to submit a report on these in the second half of 2007, so that the Council may decide by the end of 2007 on how to proceed.

## II. More far-reaching measures

In its communication of 31 May 2006 concerning the fight against fiscal fraud, the European Commission also considered more far-reaching measures to combat VAT fraud. The measures in question are basically twofold:

- the taxation of intra-Community transactions, and
- the introduction of the option of applying a blanket reversal of tax liability (a general reverse-charge system).

At its meeting on 28 November 2006, the Council concluded that the discussions of possible legal changes to the VAT system (especially the possibility of taxing intra-Community transactions or making optional use of a general reverse-charge system in order to deal with the most costly forms of VAT fraud) had not been conclusive or brought agreement on any stance. The Council decided to continue its work in this respect on all these legislative measures, in order to provide the European Commission with guidelines at the Council meeting in June 2007 at the latest. The objective is that these aspects may also be included in a Community strategy to combat tax fraud where necessary. The Council carried out this work in the first half of 2007 as planned.

1. Taxation of intra-Community transactions

The European Commission has put forward two systems for the taxation of intra-Community transactions:

- taxation in the Member State of arrival (country of destination), or
- taxation in the Member State of departure (country of origin) at a uniform rate of 15% and using a bilateral (microeconomic) clearing procedure.

a) Taxation in Member State of arrival

This system was not supported in discussions. However, a handful of Member States supported the continued examination of this approach. The vast majority of Member States expressed considerable reservations about this system or opposed it on the following grounds:

- this approach does not provide a suitable means of combating fraud,
- this approach opens up fresh scope for fraud,
- this approach imposes unacceptable burdens on administrative authorities and taxpayers.

In light of this verdict, the Council invites the European Commission only then to pursue this approach should it become apparent that the model of taxation used in the Member State of departure is not a suitable means to fight fraud.

b) Taxation in Member State of departure

Some Member States opposed this model in discussions, some supported its further consideration of. However, a large number of Member States pointed out that the clearing procedure needed for it posed a problem.

Since about half of the Member States have come out in favour of further consideration of this system, the Council invites the European Commission to explore this system further, and, in so doing, to initially focus in particular on the following aspects (on systematic aspects and on the clearing procedure):

- the general effects of a clearing procedure on the budgets of Member States and specifically on principally “importing” Member States and on principally “exporting” Member States;
- a rough estimate of the additional costs for taxpayers and tax administrations caused by introducing the taxation of intra-Community supplies;
- the risk of new forms of fraud and the efficiency in elimination of existing fraudulent activities;
- the allocation of responsibilities and risks between the Member State of departure, where tax is paid, and the Member State of arrival, where tax is deducted;
- competitive aspects of taxation of intra-Community supplies in relation to domestic tax rules and in comparison to the current scheme.

The Council invites the European Commission to submit its relevant findings by the end of 2007, at the latest.

2. Introduction of a general reverse-charge system

Two Member States envisage as a means of combating VAT fraud a general reverse-charge system, where the tax liability would be shifted from supplier to recipient with respect to domestic commercial transactions whose value exceeds a certain threshold. The objective of those Member States interested in this measure is to be granted an option in European law of applying this system without it having to be applied equally in all Member States. The majority of Member States expressed reservations against such an option.

The Council invites the European Commission to analyse the effects of such an option on the internal market, where the threshold is set at €, and to submit its findings by the end of 2007, at the latest. The analysis should seek to address the following aspects:

- the effects on Member States that do not apply the reverse-charge system, especially the effects on their budgets, including with regard to the competitiveness of their companies;
- the coherence and harmonisation of VAT law in the EU;
- the costs for taxpayers and administrative authorities of implementing a reverse-charge system;
- the migration of fraud cases to those Member States that do not apply a reverse-charge system;
- the risk of new forms of fraud;
- the possibility of running a pilot project for a limited period of time in an interested Member State."

**VALUE-ADDED TAX**

The Council examined a package of measures aimed at simplifying value-added tax (VAT) arrangements for businesses. It adopted the following conclusions:

- "1. As a result of the substantial progress, the Council reached political agreement on the VAT package elements (as recorded in the Annex to 9865/07 FISC 83 + COR 4) related to:
  - the place of supply of services (except c.f. 2);
  - the mini one-stop shop;
  - the draft directive on refund;
  - the administrative cooperation elements.
2. The Council recognises that, before the formal adoption of the full package, further discussion will be necessary on the change of the place of supply of services for B2C supplies for telecom, broadcasting, electronic and maritime services (Articles 56, 58 and 59a of the draft Directive on the place of supply of services), and invites the Portuguese Presidency to prepare final agreement on this issue.
3. The Council also invites the Portuguese Presidency, before the formal adoption of the full package, to find solutions that would improve control and cooperation measures engaging both the Member State of the supplier and the Member State of consumption (including, if appropriate, reporting obligation in the Member State of establishment as regards the amount of supplies of services to other Member States, electronic matching of these amounts with those declared in all relevant Member States of consumption), without undue increases in the compliance burden for economic operator or the administrative burden for the tax authorities.
4. The Council confirms its intention to formally adopt the VAT package before 31 December 2007 with the intention that the package would enter into force at the latest on 1 January 2010."

## **BUSINESS TAXATION**

### **Common consolidated corporate tax base**

The Council took note of a progress report from the Commission on work undertaken by a working group on the possible creation of a common consolidated tax base throughout the EU with the aim of simplifying direct tax arrangements for businesses (*doc. 9415/07*).

It held an exchange of views.

A common consolidated tax base would provide companies established in more than one member state the possibility of computing their group taxable income according to a single set of rules. The idea was discussed at informal ministerial meetings at Scheveningen in September 2004 and Vienna in April 2006.

Following broad support at Scheveningen for the launch of technical work, the Commission set up a working group to assist it in preparing a legislative proposal for a common consolidated tax base. The working group has met on a quarterly basis and is now assisted by six sub-groups working on the more technical aspects.

The Commission is committed to presenting a legislative proposal next year, and to working with member states and outside experts so as to arrive at a balanced text that takes account of member states' concerns.

### **Code of conduct on harmful tax competition**

The Council took note of a report from a Council working group on implementation of a code of conduct aimed at eliminating situations in the EU of harmful tax competition (*doc. 9047/07*).

The working group is responsible for assessing member states' tax measures, including the rollback of tax measures deemed as harmful and the monitoring of a "standstill" commitment by member states not to introduce new measures that are harmful. The group's report includes suggestions for an extended programme of work within the code's existing mandate.

**TRANSFER PRICING**

The Council adopted the following conclusions.

"The Council welcomes the third Commission Communication of 26<sup>th</sup> February 2007 on the work achieved by the Joint Transfer Pricing Forum (JTPF) which aims at preventing transfer pricing disputes and associated double taxation from arising in the first place by introducing Guidelines for Advance Pricing Agreements within the EU.

The Council recognises the work done by the JTPF as an important step forward and notes the commitment of Member States to follow the Guidelines and implement them in their national administrative practices as far as legally possible.

The Council also welcomes the Commission Decision of 22<sup>nd</sup> December 2006 to renew the JTPF mandate for another period of two years (extendable) and invites the Commission to regularly inform the Council of the Forum's outcomes."

**MEETINGS IN THE MARGINS OF THE COUNCIL**

**Eurogroup**

Ministers of the euro area member states attended a meeting of the eurogroup on 4 June.

**EIB annual governors' meeting**

Ministers met for the European Investment Bank annual governors' meeting, with EIB president Philippe Maystadt.

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Over lunch, ministers discussed the auctioning of allocations post-2012 under the EU's carbon emissions trading scheme. They were briefed on the eurogroup meeting on 4 June and on the outcome of a G8 finance ministers' meeting in Potsdam on 18 and 19 May.

**OTHER ITEMS APPROVED**

**EXTERNAL RELATIONS**

**Agreements with South Caucasus - EU enlargement**

The Council adopted decisions approving the signature and provisional application of protocols to the EU's partnership and cooperation agreements with Armenia (8076/07), Azerbaijan (8078/07), Georgia (8080/07) in order to take account of the accession of Bulgaria and Romania to the EU.

**Turkey - EU Monitoring Centre for drugs and drug addiction**

The Council adopted a decision approving the signature of an agreement with Turkey on the participation of Turkey in the work of the European Monitoring Centre for drugs and drug addiction (13648/06).

**Human Rights Council**

The Council adopted the following conclusions:

- "1. The EU continues to support the mission of the United Nations Human Rights Council and remains committed to the fulfilment of all aspects of its mandate. It recalls that all Council members have a particular responsibility to ensure that it lives up to the expectations that the world has placed in it and that all Council members share the responsibility to address human rights violations in an effective, credible and timely manner to enhance the promotion and protection of all human rights, and to promote effective coordination and the mainstreaming of human rights within the UN system as called for by the UNGA resolution 60/251.

2. In noting the result of elections to the Human Rights Council on 17 May, the EU regrets that the practice of so-called “clean slates” has been followed in some regional groups. The EU remains convinced that clean slates should be avoided and encourages all regional groups to present more candidates than available seats in future elections. The EU reminds all members of the Council of their obligation to uphold the highest standards in the promotion and protection of human rights and to fully cooperate with the Human Rights Council. In this context, the EU particularly welcomes the recent strong signal of the UN General Assembly that an unaccountable and repressive regime should not be a member of the Human Rights Council.
3. The EU welcomes the unanimous adoption, during the fourth regular session of the Human Rights Council, of a substantive resolution on the situation in Darfur, and calls for its effective implementation, the progress of which will be considered at the Council’s 5<sup>th</sup> session. It further welcomes the constructive discussion of thematic human rights issues at that session, especially the agreement of a consensus resolution on the Right to Development, as well as the continued practice of interactive dialogues with all mandate holders of special procedures and with the UN High Commissioner for Human Rights, and calls for this practice to be established for every future Council session.
4. The EU considers that, in view of the ongoing institution-building process, the upcoming 5th session of the Human Rights Council will be critical for the future functioning and credibility of the Council. The EU expects the institution-building process to be successfully completed with a consensual outcome by the end of the Council’s first year and will remain actively engaged towards the realization of this objective to which it attaches the highest priority. The EU underlines the important role of the Council’s president in this regard.
5. The Council underlines that in the Geneva negotiations, the results of which the EU will jointly assess, the EU will, through dialogue and cooperation with all stakeholders, work for a central, efficient and credible role for the Human Rights Council within the United Nations system, while stressing the need for a meaningful outcome. The Council calls on all others to continue to participate in these efforts.

6. The Council attaches great importance to maintaining the existing thematic and country mandates as well as the possibility to create new mandates by simple majority. For the EU, the independence, autonomy and expertise of the special procedures must be preserved, especially with regard to the selection procedures. In this context, the EU would have preferred that the Human Rights Council addresses the duty of states to cooperate with the Special Procedures without elaborating a Code of Conduct for these mechanisms. However, any future Code of Conduct needs to be consistent with other relevant UN documents, in particular the regulations governing the status, basic rights and duties of officials other than secretariat officials and experts on mission adopted by the GA in 2002, and must not limit the necessary freedom of action of mandate-holders to effectively fulfil their mandates.
7. The Council re-iterates the need to establish an efficient and credible procedure for the Universal Periodic Review that is equal for all member states and that provides for a clear outcome that can be followed up by the Human Rights Council as well as for the active involvement of independent experts and of a broad range of stakeholders, including non-governmental organisations and national human rights institutions. Regarding the expert advice body and the new complaints procedure, the EU will seek substantive improvements upon the former Sub-Commission and the so-called 1503-procedure.
8. The Council stresses the need for the Human Rights Council to be able to address urgent situations of human rights violations at every session. This should be reflected in the agenda and working programme of the Human Rights Council."

**Iran - Implementation of restrictive measures**

The Council adopted a regulation amending regulation 423/2007 concerning restrictive measures against Iran. (9223/07)

The regulation is aimed at implementing in Community legislation some of the measures provided for in common position 2007/140/CFSP, as amended by common position 2007/246/CFSP, with a view to ensuring uniform application by economic operators in all member states.

Common position 2007/246/CFSP, which implements United Nations Security Council resolution 1747 (2007), prohibits the provision of technical and financial assistance, financing and investment related to arms and related materiel in, or for use in, Iran .

