



**COUNCIL OF
THE EUROPEAN UNION**



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Economic and Financial Affairs

Brussels, 13 March 2012

President

Ms Margrethe Vestager

Minister for Economic Affairs and the Interior of Denmark

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Main results of the Council

*The Council adopted conclusions on the Commission's alert mechanism report for the early detection of **macroeconomic imbalances**.*

In the light of the report's findings, it welcomed the Commission's intention to undertake in-depth analyses aimed at clarifying the nature of and the risks associated with observed developments in a number of member states.

*The Council adopted a decision suspending EUR 495.2 million in scheduled commitments for **Hungary** under the EU's cohesion fund as from the beginning of next year*

It also adopted a recommendation under the EU's excessive deficit procedure, setting 2012 as the target year for correction of Hungary's deficit.

Adoption of two measures follows a decision taken by the Council in January deeming action taken by Hungary to correct its excessive deficit to be insufficient. It is the first time that a clause enabling the suspension of commitments has been invoked since the cohesion fund was established in 1994.

*The Council adopted a decision adjusting fiscal consolidation measures required of **Greece** under the EU's excessive deficit procedure following an agreement reached between the Greek government and the Troika.*

The decision paves the way for the disbursement of financial assistance under the second economic adjustment programme for Greece.

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¹ 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

Belgium:

Mr Steven VANACKERE

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Deputy Minister for Finance

Czech Republic:

Mr Miroslav KALOUSEK

Minister for Finance

Denmark:

Ms Margrethe VESTAGER

Minister for Economic Affairs and the Interior

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Federal Minister for Finance

Estonia:

Mr Jürgen LIGI

Minister for Finance

Ireland:

Mr Michael NOONAN

Minister for Finance

Greece:

Mr Evangelos VENIZELOS

Deputy Prime Minister and Minister for Finance

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Mr Luis DE GUINDOS JURADO

Minister for Economic Affairs and Competitiveness

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Mr François BAROIN

Minister for Economic Affairs, Finance and Industry

Italy:

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State Secretary for Finance

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Deputy Prime Minister and Minister for Finance

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Sweden:

Mr Anders BORG

Minister for Finance

United Kingdom:

Mr Mark HOBAN

Financial Secretary

.....

Commission:

Mr Olli REHN

Vice-President

Mr Algirdas ŠEMETA

Member

.....

Other participants:

Mr Jörg ASMUSSEN

Member of the Executive Board of the ECB

Mr Werner HOYER

President of the European Investment Bank

Mr Thomas WIESER

President of the Economic and Financial Committee

Mr Philippe GUDIN de VALLERIN

President of the Economic Policy Committee

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The government of the acceding state was represented as follows:

Croatia:

Mr Slavko LINIĆ

Minister of Finance

ITEMS DEBATED

FINANCIAL TRANSACTION TAX

The Council was briefed by the presidency on preparatory work undertaken on a proposal for a directive aimed at establishing an EU-wide financial transaction tax, and on its plans for taking work forward on the text. It held an exchange of views.

The Council decided to further analyse the Commission's proposal, whilst also exploring possible compromise solutions and alternative routes. The presidency asked the Commission to contribute to a comprehensive assessment of the tax contribution made by the financial sector and of the impact on growth and employment, and to help provide a clearer picture of the costs associated with financial regulation in general. The issue may be discussed at an informal meeting of EU finance ministers in Copenhagen on 30 and 31 March.

Experts will continue work on the proposal so as to enable the Council to hold a policy debate at its meeting on 21 June.

The Commission considers that its proposal¹ will enable a fair tax contribution to be made by the financial industry, which is currently under-taxed in relation to other sectors, whilst creating a disincentive for transactions that do not enhance the efficiency of financial markets. It considers that its proposal will also prevent a fragmentation of the single market for financial services, given a number of such tax measures being put in place by the member states.

The Commission estimates that, depending on how markets react, yearly revenues could amount to EUR 57 billion on the basis of its proposal.

In line with its proposal for a decision on the EU's system of own resources², the Commission proposes that the revenue generated be used, either wholly or partially, to gradually replace member states' contributions to the EU budget, thereby alleviating the burden on national treasuries.

¹ [14942/11](#)

² [12478/11](#)

Interest in the idea of a financial transaction tax, first put forward in 1972 by economist James Tobin as a tax on currency transactions, re-emerged in the wake of the 2008-09 financial crisis. The Commission also wants to promote a coordinated initiative at international level.

The proposal was discussed by the Council in November. Work has since continued at technical level, and a first examination of the proposal has been completed by experts.

Based on article 113 of the Treaty on the Functioning of the European Union, the directive would require unanimity for adoption by the Council, after consulting the European Parliament.

MACROECONOMIC IMBALANCES: ALERT MECHANISM REPORT

The Council discussed a so-called *alert mechanism report* drawn up by the Commission under new surveillance provisions for the prevention and correction of macroeconomic imbalances in the member states ([6360/12](#)).

It adopted the following conclusions:

- "1. The Council WELCOMES the entry into force on 13 December 2011 of the "six-pack" legislation to reinforce EU's economic governance and REAFFIRMS its readiness and commitment to fully, effectively and swiftly implement the new legal framework, including the new procedure for the prevention and correction of macroeconomic imbalances. Large and persistent macroeconomic and fiscal imbalances accumulated over the past decade, together with the financial crisis, have significantly contributed to the current economic challenges in a number of Member States and have threatened the smooth functioning of the monetary union. The Council therefore SUPPORTS the broadening and deepening of the surveillance of Member States' economic policies with the aim of covering all relevant dimensions of internal and external macroeconomic imbalances.

2. Against this background, the Council WELCOMES the Commission's first Alert Mechanism Report providing the starting point of the new macroeconomic imbalances procedure. The Council TAKES NOTE of the initial economic screening presented by the Commission in the report, leading to an identification of Member States that may be affected by, or be at risk of being affected by, macroeconomic imbalances. Moreover the Council CONSIDERS that it is an important step in setting out the common analytical framework underpinning the procedure, on which further work will be carried out in the coming months. The Council WELCOMES the Commission's intention to undertake in-depth analyses aimed at clarifying the nature of and the risks associated with observed developments in the relevant Member States. The Council INVITES the Commission to take due account of the discussions in the Council and the Eurogroup. While programme countries are not assessed in this report as they are subject to enhanced surveillance, the Council also RECALLS the need to continue their ongoing process of correcting the significant imbalances as part of their adjustment programmes.

3. The Council **RECALLS** that the in-depth studies should encompass a thorough examination of sources of imbalances in the Member State under review, taking due account of country-specific economic conditions and of a wider set of analytical tools, most up-to-date indicators and qualitative information of country-specific nature, so that the driving forces behind the observed developments are examined in detail. When the Commission is drawing up the in-depth reviews, the Member States concerned and the Commission will cooperate and exchange all relevant and most recent information, while making sure to avoid duplication of work and requests for information in the context of other formal or informal EU procedures.
4. The Council **LOOKS FORWARD** to the publication of the Commission's in-depth reviews as foreseen in the regulation and **ENCOURAGES** the Commission to publish the in-depth reviews simultaneously and present clearly the evidence underpinning the analysis. Based on the findings of the in-depth reviews and on a proposal for recommendations from the Commission, the Council may address recommendations to relevant Member States under the preventive or corrective arms of the procedure.
5. To ensure effective and timely follow-up by the Council on this new procedure, the Council **INVITES** the Commission services to inform the Economic Policy Committee on their work on the in-depth analyses before finalising its recommendations.
6. The Council **WELCOMES** the intention of the Commission to undertake during 2012 further horizontal analysis, in cooperation with national authorities through the Economic Policy Committee, on the drivers and possible policy implications of large sustained current account surpluses, trade and financial linkages between surplus and deficit countries and examine ways for further rebalancing, particularly at the level of the euro area, and within the global context. The Council also **WELCOMES** the intention of the Commission to undertake horizontal analysis on the role played by catching-up effects and the divergence in economic performance across Member States.
7. Furthermore, without prejudice to the result of the Commission's in-depth analyses, the Council **INVITES** Member States to address already in their upcoming National Reform Programmes and Stability and Convergence Programmes the issues raised in the Alert Mechanism Report."

FOLLOW-UP TO THE MARCH EUROPEAN COUNCIL

The Council was informed by the presidency of the follow-up to be given to the European Council's meeting on 1 and 2 March as regards economic policy¹.

¹ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/128520.pdf

FOLLOW-UP TO THE G-20 MINISTERIAL MEETING

The Council took stock of the outcome of a meeting of G-20 finance ministers and central bank governors held in Mexico City on 25 and 26 February.

Discussions at the meeting focused on financial market reforms, the G-20 framework for growth, commodities, increasing IMF resources and the reform of the international monetary system.

The next G-20 finance meeting will be held in Washington on 19 and 20 April.

EXCESSIVE DEFICIT PROCEDURE

Hungary

The Council adopted:

- a decision suspending 29 % of scheduled commitments for Hungary from the EU's cohesion fund in 2013 in the light of its failure to comply with the Council's recommendations under the excessive deficit procedure ([6952/2/12 REV 2](#))¹;
- a recommendation to Hungary, under article 126(7) of the treaty, on measures to be taken in order to bring its government deficit below the EU's reference value of 3% of GDP in a sustainable manner.

Adoption of these measures follows a decision taken by the Council in January, under article 126(8) of the treaty, noting Hungary's non-compliance with its previous recommendations.

This is the first time that a clause enabling the suspension of commitments has been invoked since the cohesion fund was established in 1994. The suspended commitments amount to EUR 495.2 million and a maximum level of 0.5% of nominal GDP.

For details, see press release [7516/12](#).

Greece

The Council adopted a decision adjusting fiscal consolidation measures required of Greece under the EU's excessive deficit procedure following an agreement reached between the Greek government and the Troika².

The decision paves the way for the disbursement of financial assistance under the second economic adjustment programme for Greece, enabling the Commission to sign a memorandum of understanding, on behalf of the member states, establishing the conditions for that assistance. The first disbursement must be made available before Greece's next payment obligations fall due on 20 March.

For details, see press release [7576/12](#).

¹ The Polish delegation abstained.

² Commission, IMF and European Central Bank.

OTHER BUSINESS

The Council was informed by the presidency of issues discussed when it presented the Council's recommendation on discharge of the EU's **general budget for 2010** to the European Parliament's committee on budgetary control.

The recommendation was adopted by the Council on 21 February.

The Council was also informed by the presidency of issues to be discussed at an **informal meeting** of EU finance ministers in Copenhagen on 30 and 31 March.

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 12 March.

– ***Ministerial breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation, in the light of the Commission's interim economic forecast.

OTHER ITEMS APPROVED**ECONOMIC AND FINANCIAL AFFAIRS****Court of Auditors special report - Customs procedures and VAT evasion**

The Council adopted the following conclusions:

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1. TAKES NOTE of the Court of Auditors' Special Report No 13/2011 entitled "Does the control of customs procedure 42 prevent and detect VAT evasion?" (18870/11 FIN 1089 FISC 175 UD 366 GAF 25).
2. TAKES NOTE of the European Commission's replies to the Court's Report, in particular the explanations given by the Commission in response to the specific remarks of the Court on the regulatory shortcomings which were observed.
3. TAKES NOTE of the Court's recommendations while pointing out that since the reporting period (2009) measures to improve the regulatory framework have been stepped up: among other things, Article 143(2) of the VAT Directive has been modified and in the customs area a unanimously agreed administrative arrangement for the *Single Administrative Document* has been made and will be implemented by all Member States at the latest by 1 January 2013.
4. ENCOURAGES Member States to continue to strengthen cooperation in the field and to stay vigilant as to the prevention and detection of VAT evasion in connection with customs procedure 42."

COMMON FOREIGN AND SECURITY POLICY

International Cocoa Organisation

The Council adopted the EU position for the 85th session of the International Cocoa Organisation (ICCO) Council regarding the possible relocation of the ICCO headquarters from London to Abidjan as well as regarding the election of a new Executive Director for the ICCO. The meeting will be held in Guayaquil, Ecuador from 26 to 30 March.

Republic of Guinea - Restrictive measures

The Council adopted a technical amendment to the EU restrictive measures against the Republic of Guinea.

JUSTICE AND HOME AFFAIRS

Review of EU terrorist list

The Council updated the list of persons, groups and entities to which common position 2001/931/CFSP on the application of specific measures to combat terrorism applies.

The decision removes fourteen individuals from the list. Following a thorough review, the Council has determined that there are no longer grounds for keeping them in the list.

The decision, which amends decision 2011/872/CFSP updating the list of persons, groups and entities subject to articles 2, 3 and 4 of common position 2001/931/CFSP, will be published in the Official Journal on 14 March.

Regulation 1375/2011, which implements article 2(3) of regulation 2580/2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism, is also amended to take account of this update.
