



**COUNCIL OF
THE EUROPEAN UNION**



5372/08 (Presse 11)

PROVISIONAL VERSION

PRESS RELEASE

2844th Council meeting

Economic and Financial Affairs

Brussels, 22 January 2008

President

**Mr. Andrej BAJUK,
Minister for Finance of Slovenia**

P R E S S

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Main results of the Council

*The Council adopted conclusions on the single **euro payments** area, an initiative to be launched on 28 January with the aim of creating by 2010 a single integrated and competitive market for payments made in euros.*

*It reviewed certain issues to be submitted to the spring meeting of the European Council, in particular with regard to the Lisbon strategy for growth and jobs for which a new three-year cycle will be launched, and adopting conclusions on a current review of the EU's **single market**.*

*This was the first meeting of the Ecofin Council since **Cyprus** and **Malta** joined the euro area.*

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (<http://www.consilium.europa.eu>).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

PARTICIPANTS

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

Belgium:

Mr Didier REYNDERS

Deputy Prime Minister and Minister for Finance

Bulgaria:

Mr Plamen Vassilev ORESHARSKI

Minister for Finance

Czech Republic:

Mr Tomáš ZÍDEK

Deputy Minister for Finance, International Relations and Financial Policy Section

Denmark:

Mr Lars Løkke RASMUSSEN

Minister for Finance

Germany:

Mr Thomas MIROW

State Secretary, Federal Ministry of Finance

Estonia:

Mr Ivari PADAR

Minister for Finance

Ireland:

Mr Brian COWEN

Tánaiste (Deputy Prime Minister) and Minister for Finance

Greece:

Mr Georgios ALOGOSKOUFIS

Minister for 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 Tommaso PADOA SCHIOPPA

Minister for Economic Affairs and Finance

Cyprus:

Mr Michalis SARRIS

Minister for Finance

Latvia:

Mr Normunds POPENS

Permanent Representative

Lithuania:

Mr Rimantas ŠADŽIUS

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 Tonio FENECH

Parliamentary Secretary, Ministry of Finance

Netherlands:

Mr Wouter BOS

Minister for Finance, Deputy Prime Minister

Austria:

Mr Christoph MATZNETTER

State Secretary, Federal Ministry of Finance

Poland:

Ms Katarzyna ZAJDEL-KUROWSKA

Undersecretary of State, Ministry of 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 at the Ministry of 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:

Ms Angela EAGLE

Exchequer Secretary

.....

Commission:

Mr Joaquín ALMUNIA

Member

Mr Charlie McCREEVY

Member

.....

Other participants:

Mr Jean-Claude TRICHET

President of the European Central Bank

Mr Philippe MAYSTADT

President of the European Investment Bank

Mr Xavier MUSCA

Chairman of the Economic and Financial Committee

Mr Christian KASTROP

President of the Economic Policy Committee

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ITEMS DEBATED

PRESIDENCY WORK PROGRAMME

The Council took note of the presentation by the Slovenian presidency of a work programme on economic and financial affairs (Ecofin) for the duration of its mandate (*doc. 16495/2/07 REV2*). The Council held an exchange of views.

Under Slovenian presidency (January to June 2008), the Ecofin Council will focus on:

- financial stability issues, namely the EU's policy response to recent developments in financial markets, the follow-up of the current review of the Lamfalussy regulatory process and the enhancement of the EU's arrangements for financial crisis management;
- the launch of a new three-year cycle of economic reforms under the EU's Lisbon strategy for growth and jobs.

The Council will also take forward work started last year in the light of common objectives and priorities set by the German, Portuguese and Slovenian presidencies. These are:

- ensuring efficient and effective management of economic policy;
- taking further steps towards completion of the internal market, in particular with regard to financial services and taxation;
- improving the quality of public finances.

INTRODUCTION OF THE EURO IN CYPRUS AND MALTA

The Council was briefed by the Commission and by the Cypriot and Maltese delegations on experience gained so far following introduction of the euro in Cyprus and Malta on 1 January.

Both countries put euro notes and coins into circulation at the same time as adopting the euro as their currency. The Commission will continue to monitor the situation, in cooperation with the Cypriot and Maltese authorities, and is expected to approve next month a full report on the changeover.

PREPARATION OF THE SPRING MEETING OF THE EUROPEAN COUNCIL

The Lisbon strategy for growth and jobs: the next three-year cycle

The Council held a policy debate on the next three-year cycle of the EU's Lisbon strategy for growth and jobs (2008-10), to be launched by the European Council at its meeting on 13 and 14 March.

The debate covered the following elements:

- report from the Commission on the renewed Lisbon strategy and the launch of the new cycle; “Keeping up the pace of change” (*doc. 16714/07 + ADD1 + ADD2 + ADD3 + ADD4 REV1*);
- draft broad economic policy guidelines (BEPGs) for the 2008-10 period;
- draft country-specific integrated recommendations;
- proposal for a new Community-level Lisbon strategy programme for the 2008-10 period (*16752/07*).

The Commission suggests that the main focus of the new three-year cycle be on implementation and delivery of reforms, given that the Lisbon strategy is now considered to be delivering on its objectives. The four current pillars of the strategy – knowledge and innovation, employment, the business environment and energy and climate change – continue to be valid. And whilst evolving challenges need to be addressed, the current guidelines are not considered to require a fundamental overhaul.

Nevertheless, implementation of reforms and recommendations needs to be improved in a number of areas. These include research, innovation mechanisms, SMEs, the single market, the modernisation of public administration, education and skills, "flexicurity" (flexibility and security on labour markets), social inclusion, territorial cohesion, energy, climate change, visibility of the social dimension, and the sustainability and quality of public finances.

The Lisbon strategy is implemented under national reform programmes for the member states, with a Community-level Lisbon programme to complement these.

The Council is scheduled to approve, at its meeting on 4 March, a report to the European Council on the BEPGs and on the country-specific recommendations.

Key issues paper on economic and financial affairs

The Council held a policy debate on the main messages to be conveyed to the spring meeting of the European Council (13 and 14 March) as regards economic and financial affairs, on the basis of a draft key issues paper prepared by the presidency.

It is expected to approve the paper at its meeting on 12 February.

The draft key issues paper examines the following issues: the economic situation, economic growth and downside risks; structural reforms for growth and jobs, implementation in member states and actions at Community level; public finances and their potential contribution to macroeconomic stability; the efficiency and stability of financial markets; economic and monetary union in the EU.

The Economic and Financial Affairs Council is one of a number of Council configurations contributing key issues papers to the European Council; the permanent representatives committee and the General Affairs and External Relations Council will draw on the main messages in preparing draft European Council conclusions.

Single market review - *Council conclusions*

The Council adopted the following conclusions, to be forwarded to the spring meeting of the European Council (13 and 14 March).

"The Council WELCOMES the publication of the Single Market Review by the Commission.

The Council UNDERLINES that the Single Market is of crucial importance for Europe's competitiveness in the globalised economy. It is therefore part of the overall economic policy strategy of the EU as recognised in the Integrated Guidelines. A competitive Single Market is a key driver of economic growth and the successful economic performance of SMEs will depend on their capacity to grow and operate cross-border as they do on their domestic market. It provides the right environment to enable living standards of Europe's citizens to rise. The Council (Ecofin) therefore EMPHASIZES that the core focus of the Single Market as a driver for growth should be at the centre of measures taken forward, including in the context of the Community Lisbon Programme. It also UNDERLINES the importance of the Single Market for increasing the economic adjustment capacity of European countries as well as their resilience to shocks, especially within the Monetary Union.

Delivering results through a better use of instruments

The Council SHARES the Commission's view that an impact-driven and result-orientated approach is needed, which targets action where it will have maximum impact, underpinned by robust economic evidence, and uses all available tools to enable responsiveness in a rapidly changing global context and enlarged Europe and WELCOMES the focus on improved governance of the Single Market in line with the better regulation agenda as well as the principles of subsidiarity and proportionality. Creation of new administrative burdens on governments and businesses should be avoided. The Council AGREES that:

- Using a better tailored mix of policy instruments is important for ensuring that the Single Market regulatory environment is both efficient enough to reach its objectives and flexible enough to respond to the increased pace of change in global markets.
- The proposal for a system for market monitoring, well targeted and building on existing data and procedures, could help to prioritise action in markets where there are genuine and significant barriers to market functioning and competition, the removal of which would result in significant economic benefits, including lower prices and better access to offers for consumers. This will help to achieve a targeted and evidence-based approach to the Single Market. The Council INVITES the Commission to implement this system of market monitoring and to work closely with the Member States through the EPC to assess the results and evaluate the methodology for continuous improvement. The Council STRESSES the need for further analysis on the functioning of the services sector, which is the core of the European economy.
- Improved implementation and enforcement of existing legislation is necessary to enhance the competitiveness and performance of the Single Market. More emphasis should be put on effective and consistent implementation and enforcement, including better information and appropriate redress mechanisms for consumers and businesses.

Priority areas for action

The Council STRESSES that greater consumer confidence and improved partnerships between Member States and the Commission will be key to the successful implementation of this strategy. In line with the new focus on targeting action where it will have maximum impact, the Council:

- CONSIDERS that the opening of services markets is crucial to Europe's future prosperity. Services are now a major economic driver in Europe, accounting for 70 % of Europe's output, 68% of employment and 96% of new jobs created. Rapid and effective implementation of the Services Directive by the end of 2009 is necessary to create a genuine single market for services.
- AGREES that efforts to liberalise network industries need to continue. Member States should take the necessary steps to achieve a truly competitive, interconnected and single Europe-wide internal market for electricity and gas. In line with the requirements defined by 2003 Energy Directives and the calls of the March 2007 European Council, those steps include more effective separation of supply and production activities from network operations (unbundling) and providing fair network access. Particular attention should be given to improving and strengthening the independence of the regulatory authorities. Also the telecommunications package needs to be agreed upon. Member States should transpose the Directive for the completion of the EU postal internal market.
- AGREES that improving the tax environment is important. It NOTES that national rules on taxation differ between Member States. The functioning of the Single Market may be improved through continuing efforts to tackle tax fraud, eliminate harmful tax competition and through strengthened cooperation on taxation between Member States and, where appropriate, at European level, while respecting national competences. The Council will continue to work in this area, including addressing obstacles to the Internal Market.
- UNDERLINES that promoting the free movement of knowledge and innovation should be a priority and in this respect LOOKS FORWARD to further progress on a common EU framework for patent protection, safeguarding legal certainty and avoiding discrimination. Education should be given utmost importance to facilitate the movement towards a "knowledge-base economy". In addition, the conditions for financing innovative SMEs through risk capital should be improved. The Council STRESSES that the framework conditions for an effective competition policy should be improved to reinforce the benefits of innovation for the Single Market. The Council also AGREES on the importance of promoting the right conditions for SMEs to foster innovation and growth, in particular by allowing them to take full advantage of the opportunities of the Single Market, by improving their access to public procurement and, by reducing further administrative burdens and obstacles to cross-border trade.

- TAKES NOTE of the proposals for retail financial services in the Single Market Review, and AGREES that greater competition, enhanced efficiency and more opportunities for business in retail financial services will promote jobs and growth and benefit consumers. In this context, the Council BROADLY SUPPORTS the initiatives identified by the Commission in the area of retail financial services, and in particular
 - ENCOURAGES the development, by the banking sector, of a set of common rules on bank accounts, to facilitate bank switching and access by non-residents, to the benefit of all consumers, bearing in mind the positive effects expected from increased customer mobility on competition;
 - SUPPORTS the Commission in its intentions to look into the obstacles to broader product availability, in particular assessing the possibilities of a 28th regime and further use of competition policy tools;
 - STRESSES the importance of eliminating barriers to supply and demand for retail products on a cross-border basis and of examining the preconditions for access to, and availability of, credit data in promoting competitive retail markets
 - LOOKS FORWARD to the Commission communication on the need for a more coherent approach to product transparency and distribution requirements for "competing" retail investment products;
 - SUPPORTS examination by the Commission of possible improvements to financial services redress mechanisms;
 - And ENCOURAGES greater and continued engagement with consumers so as to try out, where relevant, the proposed measures with consumer testing panels, and/or discuss them with expert groups gathering professionals and users.
- INVITES the FSC and the EFC to examine the forthcoming detailed initiatives by the Commission. In the first half of 2008, and in addition to the consideration of progress on the Single Euro Payment Area (SEPA), the Council will examine in particular the Commission White Paper on the mortgage credit sector for consumers and the communication by the Commission on financial education, setting out suggestions for the delivery of financial education, recognizing that financial education is primarily a matter for Member States.

The Council UNDERLINES the importance of the external dimension of the Single Market Review. The Union's internal and external policies need to be harnessed in order to respond to the opportunities and challenges of globalisation, in line with the EU declaration on globalisation adopted by the European Council in December. A well functioning Single Market can enhance Member States' capacity to compete in a globalised world."

FINANCIAL SERVICES – SINGLE EURO PAYMENTS AREA - Council conclusions

The Council adopted the following conclusions on the “single euro payments area” initiative, which will be officially launched on 28 January.

"The Council

- EMPHASISES its support for the aim of the Single Euro Payments Area (SEPA): to achieve an integrated market for payment services in euro which is subject to effective competition and where there is no distinction between cross-border and national payments in euro within the EU;
- WELCOMES the substantial progress achieved by industry to achieve the SEPA;
- RECOGNISES that the SEPA project has now moved from the preparatory to the operational stage and therefore calls upon industry to redouble its efforts and complete work, in particular in relation to the outstanding standards required in the cards market and in the customer to bank and bank to customer space;
- ENCOURAGES industry to develop attractive SEPA payment products and market them actively so that there is a natural momentum for customers to migrate from existing payment instruments to the new SEPA payment products in a market driven process;
- CALLS for rapid and smooth SEPA migration so that dual payment processing costs are kept to the minimum; and highlights the need for timely and complete transposition and implementation of the Payment Services Directive at national level to facilitate the migration process;
- RECOGNISES the importance of finding a workable solution to ensure the continued legal validity of existing direct debit mandates, where needed;
- ACKNOWLEDGES the important catalytic role that can be played by public authorities in helping drive forward the migration process;
- ENCOURAGES public authorities to be early adopters of SEPA payment instruments subject to the principle that there should be no deterioration as compared to the existing national characteristics for product performance and price, given the positive contribution SEPA can make to the modernisation of public administration and the e-Government Action Plan as well as the substantial benefits of SEPA to the wider European economy, including through value-added-services such as e-invoicing;

- INVITES Finance Ministries of Member States in cooperation with national Central Banks to continue monitoring progress on SEPA at national level, in particular, as regards the adoption of SEPA by public authorities; and INVITES the Commission in cooperation with the ECB to provide an annual progress report on the state of migration, including where relevant the pricing of SEPA instruments and the enhancement of competition within the SEPA area as well as other SEPA related developments at the end of each year until the successful migration of a critical mass of payment instruments has been achieved and at the end 2008, 2009 and 2010 in any event."

MEETINGS IN THE MARGINS OF THE COUNCIL

– Eurogroup

Ministers of the euro area member states attended a meeting of the Eurogroup on 21 January.

– Ministerial breakfast meeting

Ministers met for breakfast with Dominique Strauss-Kahn, the new managing director of the International Monetary Fund, to discuss IMF reform.

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Over lunch, ministers were briefed by the president of the Eurogroup on the Eurogroup meeting held on 21 January, and discussed the economic situation, with a particular focus on recent developments in financial markets.

OTHER ITEMS APPROVED

TAXATION

Germany/Poland - Value added tax

The Council adopted a decision authorising Germany and Poland to apply a special measure in relation to the construction and maintenance of border bridges crossing the Oder and the Lausitzer Neisse rivers (16447/07).

The decision defines which bridges are deemed to be part of each territory for taxation purposes regarding the supply and acquisition of goods intended for those bridges.

This measure derogates from directive 2006/112/EC on the common system of value added tax.

APPOINTMENTS

Euratom scientific and technical committee

The Council adopted a decision appointing the members of the Euratom scientific and technical committee (STC) for a period of five years (15047/2/2007 + 16067/07 ADD1).

In 2004, the Council appointed STC members for the period from 1 May 2004 to 30 April 2009. However, following the accession of Bulgaria and Romania to the EU, a new decision appointing the members of the committee (41 following accession) was required.
