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THE EUROPEAN UNION**



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Economic and Financial Affairs

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P R E S S

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Main results of the Council

*The Council adopted a decision establishing the existence of an **excessive deficit in Croatia**. It issued a recommendation to Croatia setting out the measures to be taken to correct the deficit by 2016.*

*The Council adopted a directive aimed at creating a single market for **mortgage credits**. This follows an agreement reached with the European Parliament at first reading.*

CONTENTS¹

PARTICIPANTS..... 6

ITEMS DEBATED

SINGLE SUPERVISORY MECHANISM..... 8

PRESIDENCY WORK PROGRAMME..... 9

FOLLOW-UP TO THE DECEMBER EUROPEAN COUNCIL..... 10

EXCESSIVE DEFICIT PROCEDURE - CROATIA..... 11

OTHER BUSINESS 13

MEETINGS IN THE MARGINS OF THE COUNCIL 14

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

– Mortgage credits..... 15

– Bank of Latvia - External auditor 16

FOREIGN AFFAIRS

– Relations with Serbia..... 16

– Sudan and South Sudan - Restrictive measures..... 16

– Libya - Restrictive measures 16

– Crisis management operations - Republic of Korea 16

– Code of conduct on activities in space 16

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.

TRADE POLICY

- EU-US: Beef imports 17
- EU-China - GATT schedules - Accession of Bulgaria and Romania 17

JUSTICE AND HOME AFFAIRS

- New psychoactive substances 17

HEALTH

- Health warnings on tobacco products - Postponement of deadline 18

FOOD LAW

- Food flavourings and supplements 18
- Food additives 19
- Food contact material 19

EMPLOYMENT

- ILO conventions - Chemicals at work - Decent work for domestic workers 19

FISHERIES

- Partnership agreement with Côte d'Ivoire - Conclusion of a new protocol 20
- Agreements with Greenland and Mauritius - Conclusion and change of legal basis 20
- Protocol with Kiribati - Conclusion and change of legal basis 21

CUSTOMS UNION

- Cooperation with the Eastern Neighbourhood countries 21

INTERNAL MARKET

- Type-approval of motor vehicles 22

ENERGY

- Network code on gas balancing of transmission networks 22
- Ecodesign requirements for local space heaters 22

TRANSPORT

- Air services agreement with Peru* 23
- Marco Polo programmes 23

AGRICULTURE

- Court of auditors report - Diversifying the rural economy - Council conclusions 23
- Court of auditors report - Forests in rural development - Council conclusions 24

APPOINTMENTS

- European Economic and Social Committee 24
- Committee of the Regions 24

TRANSPARENCY

- Public access to documents 24

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Czech Republic:

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Vice President of the European Central Bank

Mr Werner HOYER

President of the European Investment Bank

Mr Thomas WIESER

President of the Economic and Financial Committee

Mr Hans VIJLBRIEF

President of the Economic Policy Committee

ITEMS DEBATED

SINGLE SUPERVISORY MECHANISM

The Council was briefed by the European Central Bank on implementation of the EU's single supervisory mechanism (SSM) for banks.

The ECB will take up supervisory tasks under the SSM on 3 November 2014, subject to operational arrangements. The regulations establishing the SSM were adopted on 15 October 2013¹.

In December, the Council adopted a decision appointing Danièle Nouy as the first-ever chairperson of the supervisory board of the ECB. The supervisory board will undertake the planning and execution of the supervisory tasks conferred on the ECB. It is expected to hold its first meeting at the end of January.

The SSM will cover the euro area as well as non-eurozone member states that choose to participate. The ECB will have direct oversight of banks in these countries, although in a differentiated manner and in close cooperation with national supervisory authorities.

In preparation for this, the ECB is about to launch the operational phase of an asset quality review, as part of a comprehensive assessment of the banks over which it will have direct oversight. This will be followed by a stress test exercise, to be conducted during the second half of 2014 in coordination with the European Banking Authority.

The ECB is expected to present in February a first quarterly report on progress in implementation of the SSM.

¹ See press release: [14044/13](#).

PRESIDENCY WORK PROGRAMME

The Council took note of the presentation by the Hellenic presidency of a work programme on economic and financial matters for the duration of its term, which runs from January to June 2014 ([5370/14](#))

The Council held a brief exchange of views.

Supporting economic growth and employment and restoring confidence in the financial sector are the main objectives of the Hellenic presidency. The work programme sets out the following priorities:

- further developing the framework of Europe's banking union and effectively strengthening the regulatory framework for financial markets;
- ensuring the smooth operation of economic and fiscal policy coordination under the EU's European Semester and the effective implementation of economic governance mechanisms;
- facilitating discussions on the further development of the EU's economic and monetary union;
- promoting dialogue on the financing of the economy;
- active work on important taxation dossiers;
- ensuring that the EU's position is well coordinated and represented in the G20.

FOLLOW-UP TO THE DECEMBER EUROPEAN COUNCIL

The Council discussed the follow-up to be given to the European Council's meeting on 19-20 December as regards the implementation of the Compact for Growth and Jobs.

It was updated by the Commission and the European Investment Bank on initiatives aimed at restoring normal lending to the economy and enabling a capital increase for the European Investment Fund (part of the EIB Group), which provides risk finance for SMEs.

Agreed in June 2012, the Compact for Growth and Jobs is aimed at re-launching economic growth, investment and employment and at making Europe more competitive. While substantial progress has been achieved in a number of areas of the compact, efforts are continuing to ensure that its potential is exploited to the fullest extent.

The December European Council ([217/13](#)) reviewed progress in the following areas:

- combating youth unemployment;
- restoring normal lending to the economy, in particular SMEs;
- the adoption of remaining legislation under the Single Market Acts I and II;
- reducing the burden of regulation;
- combating tax fraud and tax evasion.

EXCESSIVE DEFICIT PROCEDURE - CROATIA

The Council adopted a decision¹ establishing the existence of an excessive government deficit in Croatia.

It issued a recommendation² to Croatia setting out the measures it should take to correct its deficit by 2016 (17904/13).

The Council concurred with the Commission's view that Croatia does not meet the EU's deficit and debt criteria. It is the first time that an excessive deficit procedure is launched on account of a breach of both deficit and debt criteria.

According to data notified by the Croatian authorities, Croatia's government deficit for 2013 was significantly above the EU's 3 % of GDP reference value and is set to increase in 2014 and 2015. The Commission's 2013 autumn forecast projects the deficit to rise to above 6 % of GDP in the 2013-2015 period if corrective measures are not taken. This is partly due to a severe economic downturn, with economic activity estimated to have contracted by almost 12 % since the peak it reached in 2008. The Council considered that although the projected excess over the reference value is exceptional, it cannot be considered temporary.

The Commission's autumn forecast projects Croatia's general government debt to have reached 59,7 % of GDP in 2013. In an unchanged policy scenario, it is expected in 2014 to rise above the EU's 60 % of GDP reference value for government debt.

Forecasts of both the Croatian authorities and of the Commission services confirm this upward trend, which is attributable to continuing high deficits and weak economic activity, and it is expected to continue over the forecast horizon. Hence the EU debt criterion is not fulfilled.

The Council in its recommendation calls on Croatia to correct the deficit by 2016. It sets deficit targets of 4,6 % of GDP for 2014, 3,5 % of GDP for 2015 and 2,7 % of GDP for 2016, consistent with an annual improvement in the structural balance of 0,5 % of GDP in 2014, 0,9 % of GDP in 2015 and 0,7 % of GDP in 2016.

¹ Under article 126(6) of the Treaty on the Functioning of the European Union.

² Under TFEU article 126(7).

The Council sets a deadline of 30 April 2014 for Croatia to take effective action and to report in detail on the consolidation strategy it envisages in order to achieve these targets.

Furthermore, the Council invites the Croatian authorities to carry out a thorough expenditure review, to improve tax compliance and increase the efficiency of its tax administration, and to improve the institutional framework of its public finances. It calls on the Croatian authorities to implement structural reforms, in particular to address labour market rigidities and an unfavourable business environment and to improve the quality of public administration, with a view to promoting potential GDP growth.

OTHER BUSINESS

The Council took note of work on current legislative proposals, including a draft directive for the recovery and resolution of banks, a draft directive on deposit guarantee schemes and a draft directive and draft regulation relating to markets in financial instruments.

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 27 January.

– ***Breakfast meeting***

Ministers held a breakfast meeting to discuss the economic situation. They were also briefed on negotiations on an intergovernmental agreement on the functioning of a single resolution fund for banks.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Mortgage credits

The Council adopted, by qualified majority¹, a directive aimed at creating a single market for mortgage credits in the EU, with a high degree of consumer protection ([5318/14](#) + [ADD 1 REV 1](#) + [25/13](#)).

The text adopted by the Council includes all amendments voted by the European Parliament, following an agreement reached between the two institutions in first reading.

The directive sets out to create an efficient and competitive single market for the benefit of consumers, creditors and credit intermediaries. It seeks to establish a high level of protection whilst addressing irresponsible lending and borrowing which, in the recent context of financial crisis, has contributed to increased numbers of unaffordable loans, defaults and foreclosures throughout the EU.

By ensuring that mortgage credit markets operate in a responsible manner, the text also seeks to promote financial stability.

EU rules on misleading advertising and on unfair terms in consumer contracts do not take account of the specificities of mortgage credit. Pre-contractual information for mortgage loans is the subject of a voluntary code of conduct, though its implementation has been inconsistent. Mortgage and renovation loans in excess of €75 000 are outside the scope of EU rules on consumer credit, and there are currently no EU requirements for non-credit institutions providing credit or for credit intermediaries.

The directive therefore establishes conditions to ensure a high degree of professionalism amongst creditors and credit intermediaries. It sets out principles for marketing and advertising, and obligations for pre-contractual information, as well as requirements for information concerning credit intermediaries and for information on the borrowing rate. Provisions require the creditor to assess the creditworthiness of the consumer, as well as disclosure obligations on the part of the consumer. The text establishes regulatory and supervisory principles with regard to credit intermediaries, as well as provisions to enable adequate regulation and supervision of non-credit institutions.

Member states will have two years to transpose the directive into their national laws, regulations and administrative provisions.

¹ The Czech Republic, Latvia and Luxembourg abstained.

Bank of Latvia - External auditor

The Council adopted a decision approving the appointment of SIA Ernst & Young Baltic as external auditors of the Latvijas Banka for the financial year 2014.

FOREIGN AFFAIRS

Relations with Serbia

The Council approved its position at first reading on a draft regulation on procedures for applying the EU-Serbia stabilisation and association agreement and the EU-Serbia interim agreement.

Sudan and South Sudan - Restrictive measures

The Council amended EU restrictive measures against Sudan and South Sudan.

In order to implement changes decided by the United Nations, it updated the list of individuals subject to these measures and added further information on the grounds for listing.

Libya - Restrictive measures

The Council approved technical changes to EU restrictive measures against Libya.

Crisis management operations - Republic of Korea

The Council adopted a decision approving the signing and conclusion of an agreement with the Republic of Korea establishing a framework for its participation in EU crisis management operations.

Code of conduct on activities in space

The Council amended decision 2012/281/CFSP on an EU proposal for an international code of conduct on activities in space and extending its period of application.

This will enable a fourth and final multilateral experts' meeting to be organised to discuss the EU's proposal.

TRADE POLICY

EU-US: Beef imports

The Council adopted a decision approving the conclusion of a revised memorandum of understanding (MOU) with the United States on the importation of beef from animals not treated with certain growth-promoting hormones and increased duties applied by the United States to certain EU products ([14374/13](#) and [14375/13](#)).

The revised MOU was signed on 21 October 2013. The European Parliament gave its consent to the conclusion of the revised MOU on 10 December.

EU-China - GATT schedules - Accession of Bulgaria and Romania

The Council adopted a decision approving the conclusion of an agreement with China on the modification of the schedules of Bulgaria's and Romania's trade concessions under the 1994 General Agreement on Tariffs and Trade in the course of their accession to the EU.

JUSTICE AND HOME AFFAIRS

New psychoactive substances

On the basis of a joint report from Europol and the European Monitoring Centre for Drugs and Drug Addiction, the Council requested an assessment of the risks caused by the use, the manufacture and traffic in *25I-NBOM*, *AH-7921*, *MDPV* and *methoxetamine*, the involvement of organised crime and the possible consequences of control measures, in accordance with decision 2005/387/JHA¹ on new psychoactive substances.

¹ [OJ L 127, 20.5.2005.](#)

HEALTH

Health warnings on tobacco products - Postponement of deadline

The Council decided not to oppose adoption by the Commission of a directive postponing by two years, to 28 March 2016, the deadline set by directive 2012/9/EU for the use of new additional health warnings to be used on unit packets of tobacco products ([16937/13](#)).

The directive is subject to the regulatory procedure with scrutiny. The Commission may now adopt it, unless the European Parliament objects.

FOOD LAW

Food flavourings and supplements

The Council decided not to oppose adoption by the Commission of the following two regulations:

- a regulation removing 19 substances from the EU list of flavourings and source materials for use in food, following the withdrawal of applications by the persons responsible for placing the flavouring substances on the market ([17257/13](#));
- a regulation establishing a maximum level of 2 mg/kg for citrinin in red yeast rice preparations ([16792/13](#)).

The regulations are subject to the regulatory procedure with scrutiny. The Commission may now adopt them, unless the European Parliament objects.

Food additives

The Council decided not to oppose adoption by the Commission of the following two regulations:

- a regulation amending annex II to regulation 1333/2008 on the use of polyvinylpyrrolidone-vinyl acetate copolymer as a glazing agent in solid food supplements and assigning to it E 1208 as E-number ([17256/13](#));
- a regulation amending annex II to regulation 1333/2008 on the use of magnesium dihydrogen diphosphate (E 450 (ix)) as a raising agent and acidity regulator in certain food categories ([17261/13](#)).

The regulations are subject to the regulatory procedure with scrutiny. The Commission may now adopt them, unless the European Parliament objects.

Food contact material

The Council decided not to oppose adoption by the Commission of a regulation authorising the use of 2-phenyl-3,3-bis(4-hydroxyphenyl)phthalimidine and 1,3-bis(isocyanatomethyl)benzene as food contact material ([17953/13](#)).

The regulation is subject to the regulatory procedure with scrutiny. The Commission may now adopt it, unless the European Parliament objects.

EMPLOYMENT

ILO conventions - Chemicals at work - Decent work for domestic workers

The Council adopted decisions authorising member states to ratify, in the interest of the EU, two conventions of the International Labour Organization:

- the 1990 convention on safety in the use of chemicals at work (convention 170), and
- the 2011 convention on decent work for domestic workers (convention 189).

FISHERIES

Partnership agreement with Côte d'Ivoire - Conclusion of a new protocol

The Council approved the conclusion of a protocol setting out the fishing opportunities and financial contribution provided for under the fisheries partnership agreement with Côte d'Ivoire ([8701/13](#)).

The agreement was concluded in 2008. The aim of the protocol is to provide fishing opportunities for EU vessels in Côte d'Ivoire waters within the limits of the available surplus and to enhance cooperation with Côte d'Ivoire.

The protocol was signed by the parties on 27 June 2013 for a duration of five years, and applied provisionally from 1 July 2013. The European Parliament gave its consent on the conclusion of the protocol on 11 December. A regulation on the allocation of fishing opportunities between the member states was adopted by the Council on 29 May ([8172/13](#)).

Agreements with Greenland and Mauritius - Conclusion and change of legal basis

The Council approved the conclusion of:

- a protocol setting out the fishing opportunities and financial contribution provided for under the fisheries partnership agreement between the EU on the one hand, and the government of Denmark and the home rule government of Greenland, on the other ([11119/1/12 REV 1](#));
- a new fisheries partnership agreement with the Republic of Mauritius and new protocol setting out the fishing opportunities and the financial contribution under that agreement ([13501/1/12 REV 1](#))

In September 2013, the Council decided unanimously to amend the legal basis of these proposals, using article 43 of the Treaty on the Functioning of the European Union (TFEU) as a whole, requiring adoption by the Council, instead of Article 43(2) TFEU, which would have involved the ordinary legislative procedure. This was decided in order to align the text with the established practise of the Council; the European Parliament has been duly informed and did not oppose the change. This has no effect on either the content of the international agreements concerned, nor on the procedure to be applied for their conclusion.

Protocol with Kiribati - Conclusion and change of legal basis

The Council approved the conclusion of a protocol setting out the fishing opportunities and financial contribution provided for under the fisheries partnership agreement with the Republic of Kiribati ([13209/12](#)).

The agreement was adopted in 2007. The new protocol covers a period of three years starting from 16 September 2012. It was signed on 9 November 2012 (for the EU) and 15 January 2013 (for Kiribati).

The Council decided unanimously to amend the legal basis of its decision, using article 43 of the Treaty on the Functioning of the European Union (TFEU) as a whole, requiring adoption by the Council, instead of Article 43(2) TFEU, which would have involved the ordinary legislative procedure. This was decided in order to align the text with the established practise of the Council; the European Parliament will be informed of the change.

CUSTOMS UNION

Cooperation with the Eastern Neighbourhood countries

The Council adopted conclusions on progress in customs cooperation with the countries of the EU's Eastern Neighbourhood.

The conclusions call on the member states and the Commission to cooperate with the Eastern Neighbourhood countries to develop safe and fluid trade lanes, to promote risk management and the fight against fraud and to foster customs modernisation.

The conclusions can be found in *16955/2/13*.

INTERNAL MARKET

Type-approval of motor vehicles

The Council decided not to oppose adoption by the Commission of regulations supplementing regulation 168/2013 with a view to reinforcing the type-approval and market surveillance of two- and three-wheeled vehicles and of quadricycles:

- with regard to vehicle construction and general requirements ([17415/13](#)), and
- with regard to environmental and propulsion-unit performance requirements ([18023/13](#)).

The regulations are delegated acts. The Commission may now adopt them, unless the European Parliament objects.

ENERGY

Network code on gas balancing of transmission networks

The Council decided not to oppose adoption by the Commission of a regulation establishing a network code on gas balancing of transmission networks ([17619/13](#)).

The regulation is subject to the regulatory procedure with scrutiny. The Commission may now adopt it, unless the European Parliament objects.

Ecodesign requirements for local space heaters

The Council decided not to oppose adoption by the Commission of a regulation implementing directive 2009/125/EC on ecodesign requirements for local space heaters ([14020/13](#)).

The regulation is subject to the regulatory procedure with scrutiny. The Commission may now adopt it, unless the European Parliament objects.

TRANSPORT

Air services agreement with Peru*

The Council authorised the signing and provisional application of an agreement with Peru on air services ([16251/13](#) + [17229/13](#) + [16357/13](#)).

The agreement will supersede or complement provisions in existing bilateral agreements between the member states and Peru, bringing them into line with EU law. The issues covered include the non-discriminatory access of EU air carriers to routes between the EU and Peru, the taxation of aviation fuel and competition rules.

Marco Polo programmes

The Council adopted conclusions on Court of Auditors' special report 3/2013 "Have the Marco Polo programmes been effective in shifting traffic off the road?" ([17701/13](#)).

AGRICULTURE

Court of auditors report - Diversifying the rural economy - Council conclusions

The Council adopted conclusions on Court of Auditors special report 6/2013 entitled "Have the member states and the Commission achieved value for money with the measures for diversifying the rural economy?" ([17496/13](#)).

The Council conclusions note that a new legal framework on support for rural development from the European agricultural fund for rural development (EAFRD) was proposed by the Commission in October 2011. A regulation was adopted by the Council on in December 2013 (93/13), along with other reform texts of the common agriculture policy.

Court of auditors report - Forests in rural development - Council conclusions

The Council adopted conclusions on Court of Auditors special report 8/2013 entitled "Support for the improvement of the economic value of forests from the EAFRD" ([17497/13](#)).

The Council conclusions note that the new legal framework on support for rural development from the European agricultural fund for rural development (EAFRD) (see above) foresees support for the forestry sector. The Court's recommendations could be taken into account in the development of new measures under new rural development programmes.

APPOINTMENTS

European Economic and Social Committee

The Council appointed Mr Anders LADEFOGED (Denmark), as a member of the European Economic and Social Committee for the remainder of the current term of office, which runs until 20 September 2015 ([5299/14](#)).

Committee of the Regions

The Council appointed Mr José Agostinho RIBAU ESTEVES, Mr Álvaro DOS SANTOS AMARO, Mr José Maria DA CUNHA COSTA, Mr Basílio Adolfo DE MENDONÇA HORTA DA FRANCA, Mr António Gonçalves BRAGANÇA FERNANDES, Mr Carlos Manuel RODRIGUES PINTO DE SÁ, Mr João Nuno FERREIRA GONÇALVES DE AZEVEDO and Mr Luís Filipe SOROMENHO GOMES (Portugal) as members of the Committee of the Regions for the remainder of the current term of office, which runs until 25 January 2015 ([5419/14](#)).

TRANSPARENCY

Public access to documents

The Council approved:

- a reply to confirmatory application 25/c/01/13, with the Estonian, Lithuanian, Finnish and Swedish delegations voting against ([17246/13](#))
- a revised reply to confirmatory application 04/c/01/11 ([5022/14](#)).