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OUTCOME OF THE COUNCIL MEETING

3592nd Council meeting

Economic and Financial Affairs

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President **Vladislav GORANOV**
Minister for Finance of Bulgaria

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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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ITEMS DEBATED

ECONOMIC AND MONETARY UNION

The Commission presented proposals for the further development of the EU's economic and monetary union, including as concerns completing banking union.

It also presented proposals to strengthen the EU's programme aimed at helping member states implement structural reforms.

Ministers held an exchange of views, focused on the process to be followed in conducting further work.

The presidency concluded the debate as follows:

- regarding the structural reform support programme, the Council asked its working groups to take work forward;
- as concerns completing the EU's banking union, the Council's working group will continue to prepare legislative work. The Council asked the Economic and Financial Committee (EFC) to develop further its June 2016 'roadmap' as regards the timing of work and intermediate objectives. It asked it to report back regularly;
- the proposal to integrate the EU's fiscal compact¹ into the EU legal framework is not yet at a stage where it can be taken up by the Council. The Commission will provide clarifications and the EFC will examine it further;
- the proposal to create a European Monetary Fund to replace the European Stability Mechanism (ESM) raises questions that will need to be addressed. The presidency considers that it should be left to the Eurogroup to take these up in the context of work on the further development of the ESM;

¹ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union

- as regards new budgetary instruments for the euro area, the Commission's communication should be considered in the context of proposals, scheduled for spring 2018, for the EU's next multiannual financial framework. The Council asked the EFC to examine the communication in greater detail and to consider the merits of the Commission's suggestions.

The presidency furthermore noted that a majority of member states favour an 'inclusive' approach to work on economic and monetary union, i.e. including member states outside the euro area.

[2017 communication on further steps towards completing economic and monetary union](#)

[2017 proposal for a regulation on the establishment of a European Monetary Fund](#)

[2017 proposal for a directive to strengthen fiscal responsibility in the member states](#)

[2017 communication on new budgetary instruments for a stable euro area](#)

[2017 communication on a European minister for economy and finance](#)

[2017 proposal for a regulation on the structural reform support programme](#)

PRESIDENCY WORK PROGRAMME

The Bulgarian presidency presented its priorities for economic and financial affairs (Ecofin) for the duration of its term, which runs from January to June 2018.

In the area of Ecofin, the Bulgarian presidency envisages:

- strong emphasis on reducing risk in the banking sector and on completing the EU's banking union. The presidency will strive for an agreement on proposals aimed at reducing risk, and for progress on a proposed European deposit guarantee scheme;
- continued work on developing the EU's capital markets union, including on legislative proposals in this field;
- debate on the further development of the EU's economic and monetary union, starting in January (see pages 4-5)
- ensuring smooth implementation of the 2018 European Semester policy monitoring process (see pages 7-9);
- in the area of direct taxation: efforts to agree on transparency rules for tax intermediaries, and progress on a proposed common corporate tax base. The presidency will also support the EU's listing process for non-cooperative jurisdictions;
- regarding indirect taxation: efforts to make progress on the establishment of a definitive VAT system and on enhancing administrative cooperation to prevent VAT fraud.

[2018 Bulgarian presidency work programme](#)

ECONOMIC GOVERNANCE - 2018 EUROPEAN SEMESTER

The Council considered growth prospects and macroeconomic imbalances under the 'European Semester', the EU's annual policy monitoring process.

It adopted conclusions on two key aspects:

- the Commission's 'annual growth survey';
- the 'alert mechanism report', the starting point for the annual macroeconomic imbalances procedure.

It also approved a draft recommendation on the economic policies of the euro area.

The 2018 European Semester will conclude in July with the adoption of country-specific recommendations on the member states' economic, employment and fiscal policies.

- ***Annual growth survey***

In its 2018 annual growth survey, the Commission proposes to again focus efforts on:

- boosting investment;
- pursuing structural reforms;
- ensuring responsible fiscal policies.

The Council broadly shared the Commission's analysis and agreed on the policy priorities proposed for 2018.

[Council conclusions on the 2018 annual growth survey](#)

[2018 annual growth survey](#)

– ***Macroeconomic imbalances***

The Commission's 2018 alert mechanism report identifies 12 member states that may have a macroeconomic imbalance. For these, it will present in-depth reviews in March 2018.

These 12 member states, which were amongst 13¹ identified under the previous European Semester, are: Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Slovenia, Spain and Sweden.

The Council broadly shared the Commission's analysis, welcoming progress made by member states in correcting their imbalances.

[Council conclusions on the 2018 alert mechanism report](#)
[2018 alert mechanism report](#)

– ***Recommendation for the euro area***

The draft recommendation will be referred to the European Council for endorsement at its meeting on 22 and 23 March 2018. It will then be adopted by the Council.

For 2018, the Council recommends a broadly neutral fiscal stance for the euro area. It calls for a balanced policy mix that ensures sustainable public finances whilst supporting the economy. Member states with current account deficits or high external debt should aim to contain growth in unit labour costs, and seek to improve their competitiveness. Those with large current account surpluses should promote wage growth, foster investment and support domestic demand and growth potential.

¹ The 13th member state (Finland) exited the macroeconomic imbalances procedure in February 2017.

As regards labour markets, the Council calls for reforms that help create quality jobs, equal opportunities and access to the labour market, as well as fair working conditions. It also recommends reforms to support social protection and inclusion.

As concerns the EU's banking union, the Council calls for work to continue with regard to sharing risk and reducing risk in the banking sector.

The Council calls for swift progress on completing the EU's economic and monetary union.

[2018 Council recommendation on the economic policy of the euro area](#)

NON-PERFORMING LOANS

The Commission presented a communication on measures to address non-performing loans (NPLs) in the banking sector.

Ministers held an exchange of views.

The Council asked the Commission to keep it informed of developments.

The Commission is planning measures, scheduled for March 2018, to implement a Council action plan. The plan is aimed at reducing NPL levels and preventing their build-up in the future.

Non-performing loans are bank loans that are subject to late repayment or are unlikely to be repaid without the sale of collateral.

High NPL levels can drag heavily on investment, and hence on the economy. A legacy of the financial crisis, they remain at historically high levels within the EU.

The Council's July 2017 plan highlights the need for action as regards:

- bank supervision;
- the reform of insolvency and debt recovery frameworks;
- the development of secondary markets for NPLs;
- restructuring the banking industry.

The Commission is due to present a proposal to facilitate the development of secondary markets for NPLs, and a 'blueprint' for national asset management companies. Both are scheduled for March 2018.

[January 2018 communication on measures to address non-performing loans](#)

[Press release on 2017 Council action plan on non-performing loans](#)

OTHER ITEMS

– *Financial services*

The Council was updated regarding work on legislative proposals on financial services

[January 2018 note on financial services legislative proposals](#)

– *VAT*

The Commission presented proposals aimed at simplifying VAT requirements for small companies and establishing new rules for setting VAT rates.

[January 2018 proposal on VAT rules for small enterprises](#)

[January 2018 proposal on rules for setting VAT rates](#)

MEETINGS IN THE MARGINS OF THE COUNCIL

– *Informal meeting with the European Parliament*

On 22 January 2018, the current and two future presidencies held an informal meeting with representatives of the European Parliament.

The discussion focused on EU economic and monetary union, banking union and capital markets union.

– *Eurogroup*

Ministers of the euro area member states attended a meeting of the Eurogroup on 22 January 2018.

The Eurogroup reached agreement on the third review of Greece's macroeconomic adjustment programme and took stock of post-programme surveillance in Portugal. It confirmed the appointment of Hans Vijlbrief as chairperson of the Eurogroup working group. The Eurogroup discussed the further development of EU economic and monetary union, as well as a draft Council recommendation on the economic policies of the euro area (see pages 7-9). It also discussed the IMF's annual consultation with the euro area.

[January 2018 Eurogroup statement on Greece](#)

[2018 press release on the appointment of Hans Vijlbrief as chairperson of the EWG](#)

[Eurogroup main results](#)

– *Ministerial breakfast*

Ministers held a breakfast meeting to discuss the economic situation.

OTHER ITEMS APPROVED

ECONOMIC AND FINANCIAL AFFAIRS

Taxation - Non-cooperative jurisdictions

The Council removed 8 jurisdictions from the EU's list of non-cooperative jurisdictions, following commitments made to remedy EU taxation concerns.

Barbados, Grenada, the Republic of Korea, Macao SAR, Mongolia, Panama, Tunisia and the United Arab Emirates were moved to a separate list of jurisdictions subject to close monitoring.

The Council agreed that the delisting was justified in the light of an expert assessment of the commitments made. In each case, the commitments were backed by letters signed at political level.

The decision leaves 9 jurisdictions on the list of non-cooperative jurisdictions out of 17 announced initially on 5 December 2017. These are American Samoa, Bahrain, Guam, Marshall Islands, Namibia, Palau, Saint Lucia, Samoa and Trinidad and Tobago. The list also carries recommendations on steps to take to be delisted.

The EU's list is intended to promote good governance worldwide, in order to maximise efforts to prevent tax fraud and tax evasion.

See [press release](#).

Agreement with Switzerland on insurance

The Council approved the position to be taken within an EU-Switzerland joint committee as concerns a technical revision of the EU-Switzerland agreement on insurance ([15487/17](#) + [15069/17](#)).

European long-term investment funds

The Council decided not to object to a Commission regulation ([5249/18](#) + [15413/17](#)) supplementing regulation 2015/760 on European long-term investment funds (ELTIFs) with regard to regulatory technical standards on:

- financial derivative instruments solely serving hedging purposes;
- sufficient length of the life of ELTIFs;
- assessment criteria for the market for potential buyers and valuation of assets to be divested;
- the types and characteristics of facilities available to retail investors.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the European Union. It can now enter into force, unless the European Parliament objects.

FOREIGN AFFAIRS - TRADE

Imports of textile products

The Council decided not to object to a delegated act submitted by the Commission as regards the updating of the list of combined nomenclature codes related to the imports of textile products from certain third countries not covered by bilateral agreements.

The update aligns the EU's combined nomenclature codes with the changes adopted by the World Customs Organisation as regards the harmonised system nomenclature and by the WTO as regards the conventional duty rates.

JUSTICE AND HOME AFFAIRS**EU-Azerbaijan joint visa facilitation committee**

The Council adopted a decision on the position to be taken on behalf of the EU within the joint visa facilitation committee set up under the agreement between the EU and Azerbaijan on the facilitation of the issuance of visas, with regard to the adoption of its rules of procedure. ([15721/17](#)).

INTERNAL MARKET**Chemicals - Methanol and 1-methyl-2-pyrrolidone**

The Council did not oppose the adoption by the Commission of regulations amending Annex XVII to the [REACH regulation](#) (regulation 1907/2006 on the registration, evaluation, authorisation and restriction of chemicals) as regards:

- methanol ([14552/17](#) and [14552/17 ADD1](#)), and
- 1-methyl-2-pyrrolidone ([13878/17](#), [13878/17 ADD 1](#) and [15993/17 ADD1 REV1](#)).

The draft Commission regulations are subject to the regulatory procedure with scrutiny. This means that now that the Council has given its consent, the Commission may adopt them, unless the European Parliament objects.

ENERGY**List of projects of common interest**

The Council decided not to object to a Commission regulation concerning an EU list of projects of common interest ([15915/17](#) + [15089/17](#) + [15089/17 ADD 1](#)).

Projects of common interest are specific energy infrastructure projects that are critical for completing the European internal energy market, achieving the EU's energy policy objective of affordable, secure and sustainable energy, and attaining the EU's climate objectives. The Commission is required to prepare, every two years, a delegated act that establishes an up-to-date EU list of projects of common interest.

This regulation identifies 173 projects of common interest which are deemed necessary to implement the priority corridors in the electricity, gas and oil sectors and the priority thematic areas such as smart grids, electricity highways and the cross-border carbon-dioxide networks, as identified in the TEN-E Regulation. Of the total of 173 projects, 106 concern electricity, 53 gas, six oil, four smart grids, and four focus on cross-border carbon dioxide networks.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It now can enter into force, unless the European Parliament objects.

ENVIRONMENT

Agreement with Switzerland on emissions trading systems

The Council today adopted a decision approving the conclusion of an EU-Switzerland agreement on the linking of their greenhouse gas emissions trading systems (ETS) ([5076/18](#) + [13076/17](#)).

The EU considers its emissions trading system to be a policy tool which cost-effectively reduces greenhouse gas emissions. Linking emissions trading systems to enable the trade of emission allowances between systems helps build a robust international carbon market and will further reinforce the emission reduction efforts of the parties involved. The ratification of the agreement with Switzerland brings the EU a step closer to achieving its climate objectives, including under the Paris agreement on climate change.

Today's adoption of the decision by the Council means that the EU has now concluded its work and ratified the agreement. The agreement will enter into force only after Switzerland has put in place rules extending its emissions trading system to aviation.

Hazardous chemicals

The Council decided not to object to a Commission regulation amending annexes I and V to regulation 649/2012 on the export and import of hazardous chemicals ([15850/17](#) + [15278/17](#) + [15278/17 ADD 1](#)).

This amendment is the result of the most recent review of the regulation. The Commission is required to carry out a regular review at least once a year. Several additional chemical substances are now included in the regulation.

The regulation is a delegated act pursuant to article 290 of the Treaty on the Functioning of the EU. It now can enter into force, unless the European Parliament objects.

Greenhouse gas emission allowance trading

The Council decided not to oppose adoption by the Commission of a regulation amending regulation 389/2013 establishing an EU registry for greenhouse gas emission allowance trading ([5187/18](#) + [15570/17](#)).

In the context of intra-EU emission allowance trading, the registries system ensures the accurate accounting of transactions. The amended regulation now includes specific references to the identification and handling of allowances created by member states which have notified the European Council of their intention to withdraw from the Union pursuant to article 50 of the Treaty on European Union.

The regulation is subject to the so-called regulatory procedure with scrutiny. Now that the Council has given its consent, the Commission may adopt it unless the European Parliament objects.

EMPLOYMENT AND SOCIAL POLICY

Maritime labour convention

The Council adopted a [directive](#) giving legal effect to an agreement between EU social partners in the maritime sector.

Under the directive, agreements between EU social partners on 2014 amendments to the UN maritime labour convention are incorporated into EU law (see also [press release](#)).

RESEARCH

Bio-based industries

The Council approved amendments to the statutes of the Bio-based Industries Joint Undertaking to facilitate the modalities of financial contributions ([15757/17](#) and [5098/1/18 REV 1 ADD 1](#)).

The [Bio-Based Industries Joint Undertaking](#) is a body entrusted with the implementation of a public-private partnership whose members are, on the one hand, the EU represented by the Commission and, on the other hand, the Bio-based Industries Consortium.

The joint undertaking was established by regulation 560/2014, for the implementation of the Joint Technology Initiative on Bio-based Industries, until 31 December 2024.

TRANSPARENCY

Public access to documents

On 23 January 2018, the Council approved the replies to confirmatory applications No 27/c/01/17 and No 29/c/02/17 (doc. 14007/17 and doc. [14864/17](#)).

On 18 January 2018, the Council adopted by written procedure the reply to confirmatory application No 22/c/01/17 (cfr document and [5138/18](#)).