Commission reviews relations with China, proposes 10 actions

Today, they are setting out 10 concrete actions for EU Heads of State or Government to discuss and endorse at the European Council of 21 March.

The European Union and China have committed to a comprehensive strategic partnership. Yet, there is a growing appreciation in Europe that the balance of challenges and opportunities China presents has shifted. With today's Joint Communication, the European Commission and the High Representative aim to start a discussion to refine Europe's approach to be more realistic, assertive and multi-faceted.

China is simultaneously a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner, with whom the EU needs to find a balance of interests, an economic competitor in pursuit of technological leadership, and a systemic rival promoting alternative models of governance. The EU will use links across different policy areas and sectors to exert more leverage for its objectives. Both, the EU and its Member States can achieve their aims concerning China only in full unity.

Vice-President, High Representative for Foreign Affairs and Security Policy Federica **Mogherini**, said: *"China is a Strategic Partner of the European Union. We pursue strong bilateral and multilateral cooperation on files where we share interests, from trade to connectivity, from the JCPOA to climate change. And we are willing to keep engaging robustly where our policies differ or compete. This is the aim of the 10 actions that we are proposing to strengthen our relations with China, in a spirit of mutual respect."*

Vice-President Jyrki **Katainen**, responsible for jobs, growth, investment and competitiveness, said*: "EU and China are strategic economic partners as well as competitors. Our economic relationship can be hugely mutually beneficial if competition is fair and trade and investment relations are reciprocal. With this Communication we make concrete proposals on how the EU can act to strengthen its competitiveness, ensure more reciprocity and level playing field, and protect its market economy from possible distortions."*

Today's Joint Communication proposes 10 action points for the debate: these actions are formulated in the context of relations with China, but some of them relate to the EU's global competitiveness and security. In general, the EU's response will pursue three objectives:

- Based on clearly defined interests and principles, the EU should deepen its engagement with Chinato promote common interests at global level.
- The EU should robustly seek more balanced and reciprocal conditions governing the economic relationship.
- Finally, in order to maintain its prosperity, values and social model over the long term, there are areas where the EU itself needs to adapt to changing economic realities and strengthen itsown domestic policies

and industrial base.

Specifically, the Commission and the High Representative invite the European Council to endorse the following actions:

Action 1: The EU will strengthen the EU's cooperation with China to meet common responsibilities across all three pillars of the United Nations, Human Rights, Peace and Security, and Development.

Action 2: In order to fight climate change more effectively, the EU calls on China to peak its emissions before 2030, in line with the goals of the Paris Agreement.

Action 3: The EU will deepen engagement on peace and security, building on the positive cooperation on the Joint Comprehensive Plan of Action for Iran.

Action 4: To preserve its interest in stability, sustainable economic development and good governance in partner countries, the EU will apply more robustly the existing bilateral agreements and financial instruments, and work with China to follow the same principles through the implementation of the EU Strategy on Connecting Europe and Asia.

Action 5: In order to achieve a more balanced and reciprocal economic relationship, the EU calls on China to deliver on existing joint EU-China commitments. This includes reforming the World Trade Organisation, in particular on subsidies and forced technology transfers, and concluding bilateral agreements on investment by 2020, on geographical indications swiftly, and on aviation safety in the coming weeks.

Action 6: To promote reciprocity and open up procurement opportunities in China, the European Parliament and the Council should adopt the International Procurement Instrument before the end of 2019.

Action 7: To ensure that not only price but also high levels of labour and environmental standards are taken into account, the Commission will publish guidance by mid-2019 on the participation of foreign bidders and goods in the EU procurement market. The Commission, together with Member States, will conduct an overview of the implementation of the current framework to identify gaps before the end of 2019.

Action 8: To fully address the distortive effects of foreign state ownership and state financing in the internal market, the Commission will identify before the end of 2019 how to fill existing gaps in EU law.

Action 9: To safeguard against potential serious security implications for critical digital infrastructure, a common EU approach to the security of 5G networks is needed. To kickstart this, the European Commission will issue a Recommendation following the European Council.

Action 10: To detect and raise awareness of security risks posed by foreign investment in critical assets, technologies and infrastructure, Member States should ensure the swift, full and effective implementation of the Regulation on screening of foreign direct investment.

What next?

The Joint Communication will be presented to the European Council on 21-22 March, with the Member States having the first opportunity to exchange views at the Foreign Affairs Council on 18 March. The next EU-China Summit is scheduled for early April.

Background

The existing policy framework for EU engagement with China is the Council Conclusions on the EU's Strategy on China adopted in July 2016 and the Joint Communication of the Commission and of the High Representative of the Union for Foreign Affairs and Security Policy 'Elements for a New Strategy on China' of June 2016. This remains the cornerstone of the EU's policy towards China.

Further Information:

Joint Communication 'EU-China – A Strategic Outlook'

Factsheet on EU-China Relations

Follow High Representative Federica Mogherini on Twitter:@FedericaMog

Follow Vice-President Katainen on Twitter: @jyrkikatainen

Fair Taxation: EU updates list of non-cooperative tax jurisdictions

Over the course of last year, the Commission assessed 92 countries based on three criteria: tax transparency, good governance and real economic activity, as well as one indicator, the existence of a zero corporate tax rate. Today's update shows that this clear, transparent and credible process delivered a real change: 60 countries took action on the Commission's concerns and over 100 harmful regimes were eliminated. The list has also had a positive influence on internationally agreed tax good governance standards.

Based on the Commission's screening, ministers blacklisted today 15 countries. Of those, 5 have taken no commitments since the first blacklist adopted in 2017: **American Samoa, Guam, Samoa, Trinidad and Tobago,** and **US Virgin Islands**. 3 others were on the 2017 list but were moved to the grey list following commitments they had taken but have now to be blacklisted again for not having followed up: **Barbados, United Arab Emirates** and **Marshall Islands**. A further 7 countries were moved today from the grey list to the blacklist for the same reason: **Aruba, Belize, Bermuda, Fiji, Oman, Vanuatu** and **Dominica**.Another 34 countries will continue to be monitored in 2019 (grey list), while 25 countries from the original screening process have now been cleared.

"The EU tax havens list is a true European success. It has had a resounding effect on tax transparency and fairness worldwide", said Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs. *"Thanks to the listing process, dozens of countries have abolished harmful tax regimes and have come into line with international standards on transparency and fair taxation. The countries that did not comply have been blacklisted, and will have to face the consequences that this brings. We are raising the bar of tax good governance globally and cutting out the opportunities for tax abuse."*

The EU's list has led to changes in global tax practices that would have been unimaginable only a few years ago. Conceived by the Commission and first agreed by Member States in December 2017, it is a common tool to tackle risks of tax abuse and unfair tax competition globally. The process is fair with improvements made visible in the list and it boosted transparency with countries' commitment letters published online. The EU listing process has also created a framework for dialogue and cooperation with the EU's international partners, to address concerns with their tax systems and discuss tax matters of mutual interest. The screening will now be enhanced with more compulsory transparency criteria to be respected and three G20 countries added to the next screening, **Russia**, **Mexico** and **Argentina**.

In terms of consequences, Member States have agreed on a set of countermeasures, which they can choose to apply against the listed countries, including increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions. The Commission will continue to support Member States' work to develop a more coordinated approach to sanctions for the EU list in 2019. **In addition,** new provisions in EU legislation **prohibit** EU funds from being channelled or transited through entities in countries on the tax blacklist.

Next steps

The EU listing process is currently a dynamic one, which will continue in the years ahead.

- A letter will now be sent to all jurisdictions on the EU list, explaining the decision and what they can do to be de-listed.
- The Commission and Member States (Code of Conduct Group) will continue to monitor the jurisdictions that have until the end of 2019/2020 to deliver, and assess whether any other countries should be included in the EU listing process.
- The Commission will continue the open dialogue and engagement with the jurisdictions concerned, to provide technical support and clarifications whenever needed and to discuss any tax matters of mutual concern.

Further information

Common EU list of third country jurisdictions for tax purposes

[Q & A]

[Questions and answers on the EU list of non-cooperative tax jurisdictions]

The EU list is a common tool for Member States to tackle external risks of tax abuse and unfair tax competition. It was first conceived in the [Commission's 2016 External Strategy for Effective Taxation], which pointed out that a single EU blacklist would hold much more weight than a medley of national lists and would have a dissuasive effect on problematic third countries. Member States supported the idea, and [agreed on the first EU list of non-cooperative jurisdictions in December 2017]. This list was the result of an extensive screening of 92 jurisdictions, using internationally recognised good governance criteria. The countries that were ultimately blacklisted were those that failed to make a high-level commitment to comply with the agreed good governance standards. Many other countries did commit to comply with the listing criteria within a set deadline (usually the end of 2018). Member States agreed that these countries should be monitored by the Code of Conduct Group and the Commission, to ensure that they delivered fully and on time. The Commission was asked to assess these countries' progress once the deadline was up, so that Member States could decide on an updated EU list.

What are the main results of the listing process?

The revised list marks the culmination of a long and intensive process of careful analysis and dialogue with third countries steered by the Commission. It confirms the role of the EU as world leader on tax good governance. The clear, credible and transparent process bares fruit: Since December 2017, many of the screened countries have been changing their national laws and tax systems to comply with international standards.

The process is fair with improvements made visible in the list and it boosted transparency with countries' commitment letters published online. The EU listing process has also created a framework for dialogue and cooperation with the EU's international partners, to address concerns with their tax systems and discuss tax matters of mutual interest.

In particular, the process has raised the standards of tax good governance globally, both through the positive changes introduced by third countries and through its influence on international criteria for zero-tax countries.

During the last year, many jurisdictions implemented concrete measures to fix problems identified in their tax systems. 60 countries took action on the Commission's concerns and over 100 harmful regimes were eliminated.

Zero tax countries have introduced new measures to ensure a proper level of economic substance and information exchange.

Over 20 jurisdictions have taken steps to bring their tax transparency standards into line with international norms, and even more should do so by the end of 2019.

Finally, as a result of the EU process, dozens of countries have been brought into international fora such as the OECD's Global Forum for transparency and the Base Erosion and Profit Shifting (BEPS) Inclusive Framework for the first time.

What countries are on the updated EU list of non-cooperative tax jurisdictions, and why?

Based on the Commission's screening, ministers blacklisted today 15 countries. Of those, 5 have taken no commitments since the first blacklist adopted in 2017: **American Samoa, Guam, Samoa, Trinidad and Tobago,** and **US Virgin Islands**. 3 others were on the 2017 list but were moved to the grey list following commitments they had taken but had to be blacklisted again for not having followed up: **Barbados, Unites Arab Emirates** and **Marshall Islands**. A further 7 countries were moved from the grey list to the blacklist for the same reason: **Aruba, Belize, Bermuda, Fiji, Oman, Vanuatu** and **Dominica**.

Another 34 jurisdictions have already taken many positive steps to comply with the requirements under the EU listing process, but should complete this work by the end of 2019, to avoid being blacklisted next year. The Commission will continue to monitor their progress closely. These countries are: **Albania, Anguilla, Antigua and Barbuda, Armenia, Australia, Bahamas, Bosnia and Herzegovina, Botswana, British Virgin Islands, Cabo Verde, Costa Rica, Curacao, Cayman Islands, Cook Islands, Eswatini, Jordan, Maldives, Mauritius, Morocco, Mongolia, Montenegro, Namibia, North Macedonia, Nauru, Niue, Palau,**

Saint Kitts and Nevis, Saint Lucia, Serbia, Seychelles, Switzerland, Thailand, Turkey, and **Vietnam.**

Following the commitments in 2017, many countries have now delivered the reforms and improvements that they promised, and 25 countries from the original screening process have now been cleared: **Andorra, Bahrain, Faroe Islands, Greenland, Grenada, Guernsey, Hong Kong, Isle of Man, Jamaica, Jersey, Korea, Liechtenstein, Macao SAR, Malaysia, Montserrat, New Caledonia, Panama, Peru, Qatar, San Marino**, **Saint Vincent and the Grenadines, Taiwan, Tunisia, Turks and Caicos,** and **Uruguay**.

How is the EU list of non-cooperative tax jurisdictions compiled?

The EU list of non-cooperative tax jurisdictions is composed of countries that either failed to deliver on their commitments to comply with required good governance criteria, or did not commit to do so at all.

Many other jurisdictions made a high-level commitment to comply with the criteria for transparency and fair taxation under the EU listing process, and remained under monitoring as a result. Most of these countries had until 31 December 2018 to deliver on their commitments, although 8 developing countries without a financial centre were given an extra year for certain criteria.

The Commission monitored the progress of the countries throughout 2018 and reported on any new developments to Member States in the Code of Conduct Group. It also liaised closely with the OECD, taking on board its assessments of countries' transparency standards and tax regimes, as part of the monitoring process.

The Commission then had to assess whether or not the jurisdictions had adequately fulfilled their commitments by the end of 2018 deadline. On this basis, the Code of Conduct Group recommended an updated EU list of non-cooperative tax jurisdictions, for EU Finance Ministers to endorse.

What are the criteria used in EU listing process?

The EU listing criteria are aligned with international standards and reflect the good governance standards that Member States comply with themselves. These are:

- **Transparency:** The country should comply with international standards on automatic exchange of information and information exchange on request. It should also have ratified the OECD's multilateral convention or signed bilateral agreements with all Member States, to facilitate this information exchange. Until June 2019, the EU only requires two out of three of the transparency criteria. After that, countries will have to meet all three transparency requirements to avoid being listed.
- **Fair Tax Competition:** The country should not have harmful tax regimes, which go against the principles of the EU's Code of Conduct or OECD's Forum on Harmful Tax Practices. Those that choose to have no or zero-rate corporate taxation should ensure that this does not encourage

artificial offshore structures without real economic activity. They should therefore introduce specific economic substance requirements and transparency measures.
- **BEPS implementation:** The country must have committed to implement the OECD's Base Erosion and Profit Shifting (BEPS) minimum standards. From 2019, jurisdictions are being monitored on the implementation of these minimum standards, starting with Country-by-Country Reporting.

Who was responsible for monitoring the countries and updating the EU list?

The listing process is managed by the Code of Conduct Group for Business Taxation, based on an intense process of analysis and dialogue steered by the Commission.

In 2018, the Commission monitored the steps taken by the third countries to comply with their commitments under the EU listing process. It analysed the measures taken, to ensure that they were fully compliant, and gave regular progress reports to the Code of Conduct. The Commission also liaised closely with the OECD, to ensure that the EU and international work was as aligned as possible and to receive updates on the OECD's assessment of certain jurisdictions.

Based on assessments provided by the Commission, the Code of Conduct Group decides whether a jurisdiction should be listed or not, and makes a recommendation to EU Finance Ministers.

Did the third countries have a chance to present their case?

Yes. The Commission is determined that the EU listing process must be as fair, transparent and credible as possible. It has given high priority to ensuring that the relevant countries understood the process and could seek clarifications and technical advice, whenever needed.

Over the course of 2018, the Commission has had extensive contacts with the jurisdictions concerned, at technical, political and diplomatic levels. The Chair of the Code of Conduct Group also engaged openly and constructively with the jurisdictions, on behalf of the Member States. In addition, the Commission and EEAS visited many of the jurisdictions and regions concerned, to allow for face-to-face dialogue on the EU listing process.

At every stage, the jurisdictions were encouraged to engage with the EU, provide any relevant information and seek any clarifications needed. Each country had a chance to present their position, address concerns and discuss how to deepen their cooperation with the EU on tax matters. The Commission relayed any feedback or information from the jurisdictions to the Code of Conduct Group, for input into the final decision.

Why were some countries given more time to deliver on their commitments?

In certain specific cases, Member States agreed to give more time to jurisdictions that could not meet the 2018 deadline to complete their reforms, subject to strict conditions. This was the case for:

- Countries with regimes for non-highly mobile activities, such as manufacturing activities. The conditions for a deadline extension were that the jurisdiction took tangible steps to launch the reform and publically announced it with a clear date of delivery.
- Countries with constitutional/institutional constraints, such as a lack of government, which prevented them from adopting the required reforms within the deadline. In these cases, the deadline was only extended if the jurisdictions in question provided credible proof of their constitutional constraint, shared acceptable draft legislation and gave a clear timeline to complete their reforms.

Developing countries without a financial centre had already been given a longer timeframe (until end of 2019) to deliver on their commitments for the transparency and anti-BEPS criteria.

What sanctions will apply to the blacklisted countries?

At EU level, the Commission has put in place and proposed new measures which will ensure that the EU list has a real impact.

First, the EU list is now linked to EU funding under new provisions in the Financial Regulation and in the European Fund for Sustainable Development (EFSD), the European Fund for Strategic Investment (EFSI) and the External Lending Mandate (ELM). Funds from these instruments cannot be channelled through entities in listed countries.

Second, there is a direct link to the EU list in other relevant legislative proposals. For example, under the new EU transparency requirements for intermediaries, a tax scheme routed through an EU listed country will be automatically reportable to tax authorities. The public Country-by-Country reporting proposal also includes stricter reporting requirements for multinationals with activities in listed jurisdictions. The Commission is examining legislation in other policy areas, to see where further consequences for listed countries can be introduced.

In addition to the EU provisions, Member States agreed on sanctions to apply at national level against the listed jurisdictions. These include measures such as increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions. The Commission is urging Member States to step up their efforts to agree on strong, binding and coordinated defensive measures, as soon as possible, to give the EU list an even greater impact.

How can a country be de-listed by the EU?

A country will be removed from the list once it has addressed the issues of concern for the EU and has brought its tax system fully into line with the required good governance criteria. The Code of Conduct is responsible for updating the EU list and recommending countries for de-listing to the Council.

Is the EU list in line with the international agenda for tax good governance?

Yes, the EU list firmly supports the international tax good governance agenda. The EU listing criteria reflect internationally agreed standards and countries were encouraged to meet these standards to avoid being listed. The EU also took on board OECD assessments of countries' transparency standards and tax regimes, as part of the monitoring process. The Commission and Member States were in close and regular contact with the OECD throughout the listing process, to ensure that EU and international work in this area remained complementary.

The EU and international good governance agendas are mutually reinforcing. For example, the OECD has recently integrated the criterion for zero-tax jurisdictions, which was first developed for the EU listing process, into the international tax good governance standards. This will ensure that countries with no or very low corporate taxation do not facilitate companies shifting their profits offshore without any economic substance.

Will the exercise be extended to more countries in the future?

Yes. In 2018, Member States agreed to extend the scope of the screening and monitoring process for the EU list. They decided to start with the G20 countries that were not yet covered, namely Russia, Mexico and Argentina. These countries will be screened in 2019 to see if there are any deficiencies in their tax systems, and will be asked to commit to address them if there are. Other countries will be brought into the scope from 2020 onwards.

More information in the press release.

Fairness in the food supply chain: Commission welcomes Parliament's support to ban unfair trading practices

Following today's vote in the plenary session of the Parliament in Strasbourg, Phil **Hogan**, Commissioner for Agriculture and Rural Development, said: *"Today's vote is fundamentally about fairness for farmers in the food supply chain. The Commission tabled this proposal in April 2018 to ensure that farmers are treated fairly by parties throughout the food supply chain, and to provide this minimum protection all across the EU. This law is one of the key proposals of the Agricultural Markets Taskforce. Today's vote demonstrates our ability to deliver for EU citizens."*

The new European law builds on a proposal tabled by the European Commission and will cover agricultural and food products traded in the food supply chain, banning for the first time up to 16 unfair trading practices imposed unilaterally by one trading partner on another.

The rules voted today will apply to anyone involved in the food supply chain with a turnover of €350 million with differentiated levels of protection provided below that threshold. The new rules will cover retailers, food processors, wholesalers, cooperatives or producers' organisations, or a single producer who would be engaging in any of the unfair trade practices identified.

The new framework grants Member States the authority to enforce the new rules and impose sanctions in case of established infringements. The Commission will also set up a coordination mechanism between enforcement authorities to enable the exchange of best practices.

The unfair trading practices to be banned include: late payments for perishable food products; last minute order cancellations; unilateral or retroactive changes to contracts; forcing the supplier to pay for wasted products and refusing written contracts.

Other practices will only be permitted if subject to a clear and unambiguous upfront agreement between the parties: a buyer returning unsold food products to a supplier; a buyer charging a supplier payment to secure or maintain a supply agreement on food products; a supplier paying for a buyer's promotion, advertising or marketing campaign.

Member States are now expected to formally endorse the new rules before they can enter into force.

Background

The Commission has been working towards a fairer and more balanced food supply chain since the beginning of its mandate. In 2016 the Commission set up the Agricultural Markets Task Force (AMTF) to assess the role of farmers in the wider food supply chain and make recommendations on how it can be strengthened. On the basis of these recommendations, the Commission launched an inception impact assessment and a public consultation on the improvement of the food supply chain in 2017, which in turn helped identify the specific unfair trading practices that operators frequently consider to be exposed to.

A recent EU-wide opinion poll published in February 2018 shows that a great majority of respondents (88%) considers that strengthening farmers' role in the food supply chain is important. 96% of the respondents to the 2017 public consultation on the modernisation of the CAP agreed with the proposition that improving farmers' position in the value chain including addressing UTPs should be an objective of the EU's Common Agricultural Policy.

For More Information

European Commission acts to ban unfair trade practices in the food supply chain

Agreement on unfair trading practices in the food supply chain will protect all EU farmers

Explanatory brochure on the new rules banning unfair trading practices in the food supply chain in English and in French.

Asylum applications in EU+ remain broadly stable despite spike in January

Despite a higher-than-average number of monthly applications and stock of cases awaiting a first-instance decisions registered in the first month of 2019, figures remain in-line with lower recent trends and fluctuations.

In the first month of 2019, some 58 600 **applications for international protection** were lodged in the EU+, the second highest number in the past year. While this figure was 21 % higher than that recorded the previous month, it is in-line with annual fluctuations since Decembers are characterised by fewer applications due to festivities. The figure remains broadly aligned to the number of applications in recent months.

In February 2019, EASO reported a 10 % decrease in applications for international protection in 2018 over the previous year, returning to 2014 level.

In January, Syrians, Afghans and Iraqis continued to lodge the most applications. These three nationalities together accounted for 23 % of all applicants in the EU+. Applicants from Pakistan and Venezuela represented an additional 9 %.

Applications by nationals **exempt from visa requirements** when travelling to the Schengen area reached 13 646, a peak since the summer of 2015. Applicants from visa-exempt countries accounted for 24 % of all applications in the EU+. In this group, Venezuelans were the most prominent, and the largest increases took place for three Latin-American states: Venezuela, Colombia and Nicaragua. There were also notable increases for visa-liberalised countries from the EU neighbourhood, mostly for Albania, Moldova and Georgia.

More than 450 000 cases were **awaiting a first-instance decision** at the end of January 2019. This was the largest stock for a year. Just over half of all cases had been pending for longer than six months. The largest share was for nationals from Syria, followed by Venezuela and Afghanistan.

For more information on applications, first-instance decisions, recognition rates, and the stock of cases awaiting a first-instance decision, please consult our analysis and interactive visualisation here.

Any further information may be obtained from the European Asylum Support

Office on the following email address: press@easo.europa.eu