



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

**PV(2002)1567 final**

Brussels, 22 May 2002

**MINUTES**  
**of the 1567th meeting of the Commission**  
**held in Strasbourg**  
**(Winston Churchill Building)**  
**on Tuesday 14 May 2002**  
**(afternoon)**

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These minutes were approved by the Commission at its 1568<sup>th</sup> meeting, held in Brussels on 22<sup>nd</sup> May 2002.

They contain 17 pages.

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**Single sitting: Tuesday 14 May (afternoon)**

The sitting opened at 1335 hours with Mr Prodi, President, in the chair.

Present:

|                   |                |
|-------------------|----------------|
| Mr PRODI          | President      |
| Mr KINNOCK        | Vice-President |
| Ms de PALACIO     | Vice-President |
| Mr MONTI          |                |
| Mr FISCHLER       |                |
| Mr LIIKANEN       |                |
| Mr BOLKESTEIN     |                |
| Mr BUSQUIN        |                |
| Mr SOLBES         |                |
| Mr NIELSON        |                |
| Mr VERHEUGEN      |                |
| Mr PATTEN         |                |
| Mr LAMY           |                |
| Mr BYRNE          |                |
| Ms SCHREYER       |                |
| Ms WALLSTRÖM      |                |
| Ms DIAMANTOPOULOU |                |

Absent:

Mr BARNIER  
Ms REDING  
Mr VITORINO

**The following sat in to represent absent Members of the Commission**

|              |                                 |
|--------------|---------------------------------|
| Mr VERDEAUX  | A member of Mr Barnier's staff  |
| Mr CHANTERIE | A member of Ms Reding's staff   |
| Ms CABRAL    | A member of Mr Vitorino's staff |

**The following also sat in**

|               |                                         |                 |
|---------------|-----------------------------------------|-----------------|
| Mr PETITE     | Director-General, Legal Service         |                 |
| Mr MANSERVISI | Chef de cabinet to the President        |                 |
| Mr FAULL      | Commission Spokesman                    |                 |
| Mr MAMER      | Spokesman                               |                 |
| Ms GROEBNER   | A member of the President's staff       | Item 11         |
| Mr SCHINAS    | Deputy Chef de cabinet to Ms de Palacio | Item 11         |
| Mr CARDANI    | Deputy Chef de cabinet to Mr Monti      | Items 10 and 12 |
| Mr STAHL      | Deputy Chef de Cabinet to Mr Solbes     | Item 10         |

Secretary: Mr O'SULLIVAN, Secretary-General, assisted by Mr BISARRE, Director in the Secretariat-General.

**1. AGENDAS**

**(OJ(2002)1567/3; SEC(2002)520/2)**

The Commission took note of the agenda for that day's meeting and of the tentative agendas for forthcoming meetings.

**2. WEEKLY MEETING OF CHEFS DE CABINET**

**(SEC(2002)1567)**

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 13 May.

**3. APPROVAL OF MINUTES OF 1566th MEETING (7 May)**

**(PV(2002)1566)**

The Commission approved the minutes of its 1566th meeting.

**4. PARLIAMENT**

***PARLIAMENTARY AFFAIRS GROUP***

***(SP(2002)1508)***

The Commission took note of the record of the meeting of the Parliamentary Affairs Group held on 8 May.

It paid particular attention to the following:

a) **Preparations for May I part-session**

(point 2 of the record)

The Commission, in accordance with the rules in force, authorised the Commission Members responsible, in agreement with the PRESIDENT, Ms de PALACIO and any other Members associated, to take a position on Parliament's amendments to its proposals.

b) **Action taken on Parliament's opinions and resolutions**

(point 5 of the record)

The Commission adopted SP(2002)1420/3 on the action taken on Parliament's opinions and resolutions adopted at its March part-session.

5. **PERMANENT REPRESENTATIVES COMMITTEE**

**(SI(2002)463; SI(2002)492; SEC(2002)577)**

The Commission took note of the Secretariat-General's reports on recent meetings of the Permanent Representatives Committee.

It paid particular attention to the following:

***PUBLIC PROCUREMENT DIRECTIVES***

***PREPARATIONS FOR COUNCIL MEETING (INTERNAL MARKET /  
CONSUMERS / TOURISM) ON 21 MARCH***

***(SI(2002)463; SI(2002)492)***

The Commission noted the latest developments in this matter in Coreper, in particular the wish of most Member States to exclude loans contracted by local authorities for public works from the scope of the proposed measures (Article 18(d) of the "traditional" proposal for a Directive).

It decided:

- to ask its representatives in Coreper, if necessary, to confirm its opposition to the amendment planned for Article 18(d);
- to empower Mr BOLKESTEIN, in agreement with the PRESIDENT, to take a position on behalf of the Commission in the light of the discussions in the Council and, in the event of unanimity, to have a statement entered in the Council minutes setting out its interpretation of Article 18(d).

## **6. WORK OF THE CONVENTION**

### ***RESULTS OF PRESIDIUUM MEETING ON 8 MAY***

***(SEC(2002)572)***

The Commission took note of the information distributed under the authority of Mr BARNIER and Mr VITORINO in SEC(2002)572.

## **7. MONITORING THE APPLICATION OF COMMUNITY LAW**

### ***STATE AID***

***(C(2002)1805 to /3; C(2002)1885)***

The Commission adopted the following decisions:

**C 71/2001                SPAIN**

**(ex NN 80/2001)**

***State aid in favour of Grupo de Empresas Álvarez***

(C(2002)1805 to /3)

Decision:                to terminate the Article 88(2) proceedings by adopting a  
negative final decision, with recovery, as set out in  
C(2002)1805/3.

**C 63/2000                GERMANY**

**(ex NN 102/2000)**

***BahnTrans GmbH***

(C(2002)1885)

Decision:                to adopt the corrigendum to Commission decision  
C(2002)1599 final of 7 May (PV 1566, item 6) in  
C(2002)1885.

## **8. WRITTEN PROCEDURES AND EMPOWERMENT**

### **8.1. WRITTEN PROCEDURES APPROVED**

***(SEC(2002)521 to /3)***

The Commission took note of the Secretariat-General's memoranda recording decisions adopted by written procedure between 6 and 8 May.

## **8.2. SENSITIVE WRITTEN PROCEDURES**

**(SEC(2002)523)**

The Commission took note of the following written procedure initiated between 6 and 8 May for the adoption of decisions with political implications:

**Expiry: 15 May 2002**

**E/2002/836 - C(2002)1873**

**DG MARKT**

Draft Commission recommendation *Statutory auditors' independence in the EU: A set of fundamental principles*

## **8.3. EMPOWERMENT**

**(SEC(2002)524 to /3)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the empowerment procedure between 6 and 8 May.

## **8.4. DELEGATION AND SUBDELEGATION OF POWERS**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 6 and 8 May, as archived on the "Grefte 2000" (Registry) website.

**9. ADMINISTRATIVE AND BUDGETARY MATTERS**  
**(SEC(2002)525)**

**ADMINISTRATIVE MATTERS**  
**(PERS(2002)67)**

***MIDDLE-MANAGEMENT POSTS AND ORGANISATION CHARTS***

The Commission took note of the decisions adopted by Mr KINNOCK in April.

**10. PUBLIC FINANCES IN ECONOMIC AND MONETARY UNION - 2002**  
**(COM(2002)209 to /5; SEC(2002)518 and /2; SEC(2002)553)**

The PRESIDENT introduced the debate by welcoming the communication and report tabled by Mr SOLBES on public finances in economic and monetary union in 2002, which reviewed the Member States' budgetary results for 2001, assessed their prospects in the short and medium term, and examined the main current budgetary policy problems at Union level (instruments and methods for budgetary surveillance at Union level; quality of public expenditure; role of "discretionary" budget policies; challenges facing the applicant countries of Central and Eastern Europe).

He emphasised the usefulness of such analyses in an economic situation where doubts were sometimes expressed about the capacity of certain Member States to meet the goal, laid down by the stability and growth pact, of a budgetary position close to balance or surplus by 2004.

Mr SOLBES pointed out that the communication to the Council and Parliament was only a brief summary of a longer report, presented as a staff working paper, and that for the third consecutive year both documents would be transmitted to all the institutions.

He outlined the main conclusions of the report:

- the positive role played by the automatic stabilisers in cushioning the impact of the cyclical slowdown;
- there had been no resort by the Member States to discretionary expansionist policies, despite pressure on the budgetary authorities to react to the world slowdown with active demand management;
- tax reforms were continuing in the Member States so as to remove supply-side rigidities;
- even so, some Member States were experiencing difficulties in arriving at a budgetary position close to balance or surplus.

Various measures had been taken to improve the framework for budgetary surveillance of EMU (revision by the Council (Economic and Financial Affairs) in July 2001 of the code of conduct on the content and presentation of the stability and convergence programmes; introduction of a common system for the cyclical adjustment of budgetary balances; extension of the scope of budgetary surveillance to include systematic assessment of the sustainability of public finances from the point of view of the ageing of the population).

He reminded the meeting of the conditions for implementation and the outcome of the early warning procedure in 2001 in respect of two Member States (Germany and Portugal).

It was necessary both to ensure the sustainability of public finances in the long term, particularly because of the foreseeable budgetary repercussions of the ageing of the population, and to take account of the quality of public expenditure in the budgetary surveillance and coordination process.

The Commission held an initial debate, to be developed further at its seminar on 5 June on economic policy coordination, on the following subjects:

- tax competition;
- the meaning of the concept of the quality of public expenditure and the need to apply quality criteria also to revenue and to tax policy;
- the Commission's duty, as guardian of the Treaties and guarantor of the general interest, to continue its strict monitoring of compliance with the constraints of the stability and growth pact.

Following this exchange of views, the Commission adopted an amendment to COM(2002)209/5:

On page 7, first paragraph, the last sentence was amended as follows:

"**Appropriate** spending on social welfare, together with an appropriate tax policy, can contribute to equity and can also have a positive impact on growth and economic efficiency."

Subject to this amendment, the Commission:

- approved the communication in COM(2002)209/5;
- took note of the staff working paper SEC(2002)518/2;
- decided to transmit both documents to the Council, Parliament, the European Central Bank, the Economic and Social Committee and the Committee of the Regions.

## **11. PRODUCTIVITY: THE KEY TO COMPETITIVENESS OF EUROPEAN ECONOMIES AND ENTERPRISES**

**(COM(2002)240 to /4; SEC(2002)528; SEC(2002)567)**

The PRESIDENT introduced the debate by reminding the meeting that the Commission had decided to devote one of its forthcoming seminars (on 10 July) to the subject of industrial policy in an enlarged Union, so as to be able to analyse in depth the problems of labour productivity and the competitiveness of companies in Europe.

The communication from Mr LIIKANEN, based on the analyses contained in the 2001 report and the draft report for 2002 on European competitiveness, aimed to alert policymakers to the EU's recent underperformance in labour productivity growth, and its causes and implications for the achievement of the goals set by the Lisbon European Council. To this end, it would enable an initial debate to be launched in various bodies: Forum with interested partners (Stakeholder Forum) at the end of May and Council meeting (Industry) on 7 June; in the light of these exchanges of views, and on the basis of the conclusions of its seminar on 10 July, the Commission would be able to finalise its analysis of all aspects of the problems of productivity and competitiveness in Europe.

Mr LIIKANEN reminded the meeting firstly that the legal basis for the reports and communications on the development of productivity was Article 157 of the EC Treaty, which stipulated that "the Community and the Member States shall ensure that the conditions necessary for the competitiveness of the Community's industry exist" and empowered the Commission to "take any useful initiative to promote" coordination of Member States' action.

He summarised the contents of the communication, which contained:

- a factual observation: Europe's recent underperformance as regards productivity;

- an analysis of certain shortcomings contributing to this state of affairs:  
insufficient innovative activity; underinvestment in information and communication technologies;
- suggestions for further points to be explored with a view to meeting the objectives set out in the Lisbon strategy: identification of policies which had generated sustained productivity growth in certain Member States; identification of policies or other obstacles which had hindered the adoption and dissemination of information technology and innovation; improvement in the quality of the labour force and availability of qualified workers; expansion of the services sector; need for complementarity and synergy between competition policy and industrial policy; possibility of combining higher economic growth with a reduction in pressures on the environment.

Among these various factors for productivity growth, he emphasised in particular the crucial importance of the availability of a qualified workforce to make it possible for new technologies and innovations to be exploited more rapidly.

The Commission discussed various aspects of the communication, focusing on the need to make some additions to it (for instance by mentioning the importance of research, which was at the root of all innovation) or nuances (for instance in the presentation of Chapter 8 "Enterprise policy and sustainable development" to highlight both the need for environmental standards to be imposed through regulation, and the fact that environmental deterioration also involved a cost).

Following this exchange of views, the Commission decided to empower Mr LIIKANEN, in agreement with the PRESIDENT, to draw up a revised document for transmission, at the same time as the report on competitiveness for 2002, to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions.

## **12. COUNCIL MEETINGS**

**(SI(2002)510; SI(2002)541)**

### ***GENERAL AFFAIRS***

***(BRUSSELS, 13 MAY)***

The PRESIDENT reported on the latest developments in the Middle East crisis, and particularly on the prospects for the reception in the Member States of thirteen Palestinians following the evacuation of the Church of the Nativity in Bethlehem.

Mr PATTEN summarised the Council's discussions on the draft negotiating directives for the conclusion of a trade and cooperation agreement with Iran. As there was no consensus on the nature of the agreement (a Community agreement as preferred by the Commission and certain delegations, or a mixed agreement including provisions relating to combating terrorism and political cooperation, preferred by other delegations), the Council had given Coreper a mandate to continue discussions with a view to facilitating a conclusion at its meeting in June.

## **13. OTHER BUSINESS**

### ***MEASURES TO SUPPORT ROAD FREIGHT TRANSPORT IN FRANCE, ITALY AND THE NETHERLANDS - COUNCIL DECISION UNDER ARTICLE 88(2) OF THE EC TREATY***

The PRESIDENT reported that, following discussions between himself and the Members most concerned (Ms de PALACIO, Mr MONTI and Mr BOLKESTEIN), and given the political and legal analysis of the situation, he had decided not to propose the referral of this matter to the Court of Justice.

The Commission took note of this information.

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The meeting closed at 1615 hours.