



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2007)1779 final

Strasbourg, 13 March 2007

MINUTES
of the 1779th meeting of the Commission
held in Brussels
(Berlaymont)
on Wednesday 7 March 2007
(morning)

PV(2007)1779 final

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Single sitting: Wednesday 7 March 2007 (morning)

The sitting opened at 0916 hours with Mr BARROSO, President, in the chair.

Present:

Mr BARROSO	President	
Ms WALLSTRÖM	Vice-President	Items 1 to 12
Mr VERHEUGEN	Vice-President	Items 1 to 14 (in part)
Mr BARROT	Vice-President	Items 1 to 13 (in part)
Mr KALLAS	Vice-President	
Mr FRATTINI	Vice-President	
Ms REDING		Items 1 to 13 (in part)
Mr DIMAS		
Mr ALMUNIA		Items 1 to 14 (in part)
Ms HÜBNER		Items 1 to 10 (in part) and 11 (in part) to 14
Mr BORG		
Ms GRYBAUSKAITĖ		Items 1 to 14 (in part)
Mr POTOČNIK		
Mr FIGEL'		
Mr REHN		Items 1 to 14 (in part)
Ms KROES		
Ms FERRERO-WALDNER		
Mr ŠPIDLA		Items 1 to 14 (in part)
Mr MANDELSON		
Mr PIEBALGS		
Ms KUNEVA		
Mr ORBAN		

Absent:

Mr KYPRIANOU

Mr MICHEL

Mr KOVÁCS

Ms FISCHER BOEL

Mr McCREEVY

(7 March 2007)

The following sat in to represent absent Members of the Commission

Mr SCHINAS	Chef de cabinet to Mr KYPRIANOU	Items 1 to 13 (in part)
Ms PINHO	A member of Mr KYPRIANOU's staff	Items 13 (in part) and 14
Ms WEYAND	Chef de cabinet to Mr MICHEL	Items 1 to 14 (in part)
Mr DELPHIN	A member of Mr MICHEL's staff	Item 14 (in part)
Mr MARJÁN	A member of Mr KOVÁCS' staff	
Mr BORCHARDT	Deputy Chef de cabinet to Ms FISCHER BOEL	
Ms BURY	Deputy Chef de cabinet to Mr McCREEVY	

The following also sat in

Mr VALE DE ALMEIDA	Chef de cabinet to the President	
Mr SANTAOLALLA	Legal Service	
Mr CARVOUNIS	Deputy Director-General, Communication DG	Items 1 to 14 (in part)
Mr LAITENBERGER	Commission Spokesman	Items 1 to 13 (in part)
Ms AHRENKILDE	DG Communication- Commission's Spokesman's Service	Items 13 (in part) and 14
Mr GASPAR	Acting Director-General, Bureau of European Policy Advisers (BEPA)	Items 1 to 13
Mr ELLIS	Adviser in the President's Office	Item 13
Mr ANDRESEN GUIMARÃES	A member of the President's staff	Item 14
Mr SCHMIDT	Deputy Chef de cabinet to Mr KALLAS	Items 1 to 10
Mr FRANÇA	A member of Ms REDING's staff	Items 13 (in part) and 14
Mr THOMAS	Chef de cabinet to Mr ALMUNIA	Item 14 (in part)
Mr PANIGALLI	A member of Ms HÜBNER's staff	Items 10 (in part) and 11 (in part)
Ms HYVÄRINEN	A member of Mr REHN's staff	Item 14 (in part)
Mr GUEREND	A member of Ms FERRERO-WALDNER's staff	Item 14
Mr MORAN	DG External Relations	Item 14

Secretary: Ms DAY, Secretary-General, assisted by Mr AYET PUIGARNAU, Director in the Secretariat-General.

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The PRESIDENT opened the meeting by pointing out that it was the hundredth meeting of this Commission. He hoped that future meetings would be as fruitful as the first hundred had been.

* * *

1. AGENDAS

(OJ(2007)1779/3; SEC(2007)281/2)

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

2. WEEKLY MEETING OF CHEFS DE CABINET

(SEC(2007)1779)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 5 March.

3. MINUTES OF 1778th MEETING (28 February 2007)

(PV(2007)1778)

The Commission approved the minutes of its 1778th meeting.

4. MONITORING THE APPLICATION OF COMMUNITY LAW

4.1. STATE AID – INDIVIDUAL CASES – RECAPITULATIVE LIST

(SEC(2007)325; SEC(2007)308)

The Commission adopted the decisions in the recapitulative list (SEC(2007)325).

4.2. INFRINGEMENTS - URGENT CASE

(SEC(2007)296; SEC(2007)295)

The Commission adopted the decision contained in SEC(2007)296.

5. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2007)285)

ADMINISTRATIVE MATTERS

(PERS(2007)30)

5.1. SG – AMENDMENT OF ORGANISATION CHART AND EXTERNAL PUBLICATION OF A VACANCY NOTICE FOR A GRADE AD14 CHIEF ADVISER (EU-12)

(PERS(2007)28)

On a proposal from Mr KALLAS, in agreement with the PRESIDENT, the Commission decided:

- to create a new function of Chief Adviser on Protocol in the Secretariat-General;
- to authorise the publication, under Article 29(2) of the Staff Regulations, of the vacancy notice in PERS(2007)28 on this new function.

These decisions would take effect immediately.

**5.2. SG – TERMINATION OF INTERNAL AND INTERINSTITUTIONAL SELECTION PROCEDURE FOR THE GRADE AD13/14 FUNCTION OF COMMISSION MEDIATOR, AMENDMENT OF ORGANISATION CHART AND INTERNAL PUBLICATION OF A VACANCY NOTICE FOR AN AD14/15 CHIEF ADVISER
(PERS(2004)181 AND /2; PERS(2005)38 TO /4; PERS(2007)29)**

Having noted the procedure followed as set out in point 2 of PERS(2007)30, the Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT, decided:

- to terminate the selection procedures COM/201/04 and COM/2005/600 without appointing anyone to the post;
- to classify the function of Commission mediator in a higher grade (AD14/15) in view of its importance, thereby creating a function of Chief Adviser in the Secretariat-General;
- to start a new selection procedure, under Article 6(3) of the Commission decision on a reinforced mediation service (C(2002) 601), and to authorise the publication, under Article 29(1)(a)(i) and (iii) of the Staff Regulations, of the vacancy notice in PERS(2007)29 on the function of Chief Adviser in the Commission's mediation service.

These decisions would take effect immediately.

5.3. DG RELEX – INTERIM APPOINTMENT OF DIRECTOR

The Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT and Ms FERRERO-WALDNER, decided to grant Mr Matthias BRINKMANN, an AD13 official and Head of Unit RELEX.C.3 (EEA, EFTA, San Marino, Andorra and Monaco), an interim appointment under Article 7(2) of the Staff Regulations to the post of Director, Directorate RELEX.C (North America, East Asia, Australia, New Zealand, EEA, EFTA, San Marino,

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Andorra and Monaco) in the External relations DG, for the period from 16 July 2006 to 15 February 2007.

This decision would take effect immediately.

5.4. *DG ADMIN – EXTENSION OF THE SECONDMENT IN THE INTEREST OF THE SERVICE OF A GRADE AD15 OFFICIAL*

Having noted the information set out in item 4 of document PERS(2007)30, the Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT, decided to extend to 2 February 2008 the secondment in the interest of the service of Mr Daniel BYK, a grade AD15 official, at the Ministry of Foreign Affairs of the Grand-Duchy of Luxembourg.

This decision would take effect immediately.

5.5. *DG ADMIN – DEPUTISING FOR THE DIRECTOR-GENERAL*

Under Article 27(1) of its Rules of Procedure, the Commission, on a proposal from Mr KALLAS, in agreement with the PRESIDENT, decided to designate the following grade AD15 officials, in the order indicated, to deputise for the Director-General of the Personnel and Administration DG if he was prevented from exercising his duties.

- Ms Irène SOUKA, Director of the Staff and Careers Directorate;
- Mr Bernhard JANSEN, Director of the Staff Regulations: Policy, Management & Advice Directorate;
- Mr Hendrik VAN LIER, Director of IDOC – Investigation and Discipline Office.

This decision would take effect immediately.

**6. COMMISSION RECOMMENDATION FOR COUNCIL OPINIONS IN ACCORDANCE WITH ARTICLE 5(3) OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMMES OF BELGIUM (2006-2010) AND SPAIN (2006-2009)
(SEC(2007)288; SEC(2007)289; SEC(2007)279; SEC(2007)306)**

The Commission adopted the recommendations for Council opinions on the updated stability programmes of Belgium and Spain, as set out in SEC(2007)288 and SEC(2007)289, respectively, for transmission to the Council.

**7. COMMISSION RECOMMENDATION FOR COUNCIL OPINIONS IN ACCORDANCE WITH ARTICLE 9(1) OF COUNCIL REGULATION (EC) 1466/97 ON THE CONVERGENCE PROGRAMMES OF BULGARIA (2006-2009) AND ROMANIA (2006-2009)
(SEC(2007)290 AND /2; SEC(2007)292 AND /2; SEC(2007)279; SEC(2007)306)**

The Commission adopted the recommendations for Council opinions concerning the convergence programmes of Bulgaria and Romania, as set out in SEC(2007)290/2 and SEC(2007)292/2, respectively, for transmission to the Council.

**8. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH ARTICLE 9(3) OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF LATVIA (2006-2009)
(SEC(2007)291; SEC(2007)279; SEC(2007)306)**

The Commission adopted the recommendation for a Council opinion on the updated convergence programme of Latvia in SEC(2007)291 for transmission to the Council.

9. OTHER MATTERS

CORPORATE SOCIAL RESPONSIBILITY IN THE EUROPEAN UNION OF TODAY

(SEC(2007)315)

The Commission took note of the information note from Mr VERHEUGEN and Mr ŠPIDLA in SEC(2007)315.

10. COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE EUROPEAN PARLIAMENT AND THE EUROPEAN COURT OF AUDITORS – PROGRESS REPORT ON THE COMMISSION ACTION PLAN TOWARDS AN INTEGRATED INTERNAL CONTROL FRAMEWORK

(COM(2007)86 TO /4; SEC(2007)311; SEC(2007)245; SEC(2007)305)

Mr KALLAS made an oral presentation of the report to the Commission covering the first year's implementation of the action plan for an integrated internal control framework adopted in January 2006. Mr KALLAS drew attention to the recent progress made within the Commission in the area of internal financial management and control, as reflected, amongst other things, by the assumption of greater responsibility at the level of both the authorising officers and the Commission. Mr KALLAS thought that this progress would probably be acknowledged in the discharge for 2005. He nevertheless drew the Commission's attention to persistent problems and risks and to the other institutions' reserved attitude to financial management and control within the Commission. He underpinned his remarks by referring to the main findings of the Court of Auditors regarding the lawfulness and regularity of the transactions carried out in 2005 under the various headings of the financial framework in application at the time.

Mr KALLAS concluded by highlighting the following aspects :

- need for extreme preventive vigilance with regard to any problem that might arise, more particularly in fields where the Commission was most susceptible to criticism;
- need to provide strong backing for the implementation of the action plan;
- need to urge the authorising officers by delegation to set out any reservation deemed appropriate in their annual activity reports and, if necessary, to suspend the relevant payments and issue recovery orders;
- need to identify parties responsible for any control deficiencies observed;
- need for an intensive dialogue with the Court of Auditors and the European Parliament in order to make these institutions more aware of the priority and attention that the Commission assigns to questions of management and control;
- need to be able to retrace management and control operations and the underlying methodology, so as to be able to put forward the Commission's point of view in any problematic situation that might arise;
- need to make real progress from year to year and to be able to demonstrate such progress, particularly as regards the suspension of payments and the launching of recovery procedures.

The PRESIDENT expanded on Mr KALLAS's presentation. He placed this financial year in the context of the strategic objective set out by the Commission when it entered office, which was to obtain a statement of positive assurance by the Court of Auditors. In this connection, he commented on the extent to which the action plan defined by the Commission in January 2006 had been implemented and stressed its importance. He drew particular attention to the efforts that still needed to be made, particularly in areas subject to shared management.

Referring to the share of responsibility incumbent on the Member States, the PRESIDENT pointed out that the Commission remained nonetheless ultimately responsible for the implementation of the budget as a whole. The PRESIDENT felt

it was important for the Commission to take initiatives demonstrating its proactive commitment and sense of priority. He added that the subject areas under direct management were, however, those on which the Commission would be most rigorously judged, which implied a need for greater vigilance.

The PRESIDENT then set out his ideas concerning the need to intensify cooperation between the Commission and the other institutions, particularly with a view to updating control methods.

Referring to the exchange of views held at the Commission's 1778th meeting, the PRESIDENT confirmed the objective of achieving a level of budgetary implementation as close as possible to the total amount of the appropriations allocated. He emphasised that this objective was not incompatible with the principles agreed with regard to management and control.

The PRESIDENT concluded by urging the Members of the Commission to attentively monitor the implementation of the action plan at their regular meetings with the Directors-General and department heads acting under their authority, and, if necessary, to bring any problems to the attention of the Commission.

Following the presentation by Mr KALLAS and speech by the PRESIDENT, the Commission held an exchange of views covering the following issues:

- the need to take account of certain past experiences revealing the highly sensitive nature of management and internal control matters, especially during the final years of previous Parliaments and Commissions;
- the extreme rigour that the Members of the Commission will have to show if they are to prevent and counteract unjustified criticism of the Commission until the end of its term of office;
- the need for the Members of the Commission to intensify contacts and cooperation with the Members of the Court of Auditors and the European Parliament most directly concerned;

- the objective which the Commission has assigned itself of securing a positive statement of assurance from the Court of Auditors and the need to adopt as dynamic and proactive an approach as possible in order to achieve this aim;
- various factors proper to the Court of Auditors which act as additional obstacles that the Commission has to overcome, such as, on the one hand, the recurrent silence of the Court of Auditors concerning the direction of the efforts that the Commission needs to make and, on the other, the working methods of the Court of Auditors, which fails to take sufficient account of certain aspects of the implementation of the Community budget, and more precisely the shared and multiannual nature of the management of certain appropriations;
- the need for the Commission to assemble documentary evidence of control and audit operations in order to be able to duly substantiate its arguments against the external auditor;
- the need to study the concept of tolerable risk and the cost-effectiveness ratio of control operations in greater depth, particularly in view of the simplification policy embarked on by the Commission and the need to avoid any disproportion in the deployment of human resources between the tasks of management, control and auditing;
- the need to envisage simplification wherever possible, the outcome of this approach being rules which are less difficult to comply with and potentially fewer situations where rules are not complied with;
- the value of conducting pilot projects with various potentially interested Member States in the area of control and auditing;
- the specific risks to the Commission connected with management by agencies, irrespective of any other consideration concerning their added value and/or their method of operation, in the light of the responsibility incumbent on the Commission but also in the realisation that the Commission is short of means as regards internal control in this area;

- the need to put the concept of the single audit properly into effect given the very great advantage that this concept offers by involving the various auditors concerned;
- the risk that the perception of the structural policy as well-founded may be adversely affected by often excessive criticism connected with the implementation of the budgetary appropriations allocated to it;
- the options already chosen for resolving certain problems encountered particularly in the framework of external operations;
- the need to proceed with the suspension of payments and the issue of recovery orders wherever appropriate;
- the need to raise the awareness of the public and the institutions as to the extremely limited incidence of fraud.

The PRESIDENT congratulated the Members of the Commission on the high quality of this exchange of views, which he summed up by expressing the Commission's total support for the report presented by Mr KALLAS. The PRESIDENT underlined the priority assigned by the Commission, until the end of its term of office, to questions of sound financial management and called on all the Members to make a personal investment in the efforts to be made in this field.

The PRESIDENT felt that the efforts expected of the Members of the Commission broke down into the following main aspects:

- Members of the Commission, with the support of their staff and cabinets, to devote more time to matters of financial management;
- the intensification of the personal contacts to be developed or established between the Members of the Commission and the Members of the Court of Auditors and the European Parliament most directly concerned;
- a regular check on the implementation of the action plan;

- vigilance with regard to any indication of a potential problem, even to the point of bringing such problems to the attention of the Member of the Commission responsible for auditing and combating fraud and, if necessary, of the Commission;
- the development of a practice consisting in systematically documenting steps taken by the Members of the Commission as regards management and control, the aim of such practice being to clearly demonstrate the Commission's attachment to sound financial management and preventing situations of poor management and fraud.

The PRESIDENT asked Mr KALLAS, in cooperation with the Members of the Commission most directly concerned, to undertake initiatives, particularly in the context of shared management, to raise national authorities' awareness of control and auditing questions and to document the steps taken by the various bodies and Members of the Commission as regards the problems actually encountered but without, in so doing, neglecting the fields covered by direct management.

The PRESIDENT noted the importance for the Commission of deliberating on the specific risks concerning agencies. He asked Mr KALLAS, in cooperation with the Members of the Commission and the departments concerned, including the Secretariat-General and the Legal Service, to study this question in greater depth and to present the Commission with a discussion paper on the matter.

Lastly, the PRESIDENT announced his intention to regularly place issues of financial management, internal control and the discharge procedure on the agenda for Commission meetings.

After taking note of the foregoing, the Commission approved the report in COM(2007)86/4 for transmission to Parliament, the Council and the European Court of Auditors, as well as to the national parliaments, accompanied by the scoreboard which was the subject of the staff working document distributed as SEC(2007)311, the contents of which were noted.

The Commission also took note of the information note from Mr KALLAS, in agreement with Ms GRYBAUSKAITĖ, Ms FISCHER BOEL and Ms FERRERO-WALDNER, concerning the meeting of the audit progress committee of 2 February 2007 distributed as SEC(2007)245.

11. INTERINSTITUTIONAL RELATIONS

(SEC(2007)286)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Friday 2 March (SEC(2007)286).

It paid particular attention to the following:

11.1. LEGISLATIVE MATTERS

i) Preparations for March I part-session

(point 1.2 of the record of the IRG)

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

It paid particular attention to the following:

Codecision, 1st reading

- Prudential assessment of acquisitions and increase of shareholdings in the financial sector (Directive) – KLINZ report – 2006/0166 (COD)

The Commission approved the line set out in SP(2007)992, and authorised Mr McCREEVY to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in the document.

- Community statistics on migration and international protection (Regulation) – KLAMT report – 2005/0156 (COD)

The Commission approved the line set out in SP(2007)499, and authorised Mr ALMUNIA to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in the document.

11.2. RELATIONS WITH THE COUNCIL

ii) Programming of Council activities

(SI(2007)181)

The Commission took note of the information supplied in SI(2007)181 relating to Council meetings held from 1 to 14 March.

iii) Preparations for the European Council of 8 and 9 March

(point 2.1 of the record of the IRG)

The PRESIDENT reported on the work on preparations for the European Council of 8 and 9 March in Brussels, emphasising the major and even historic role of the summit and the importance of the subjects to be put before the Heads of State or Government, which included the Commission initiatives on energy and climate change, the strategy for growth and employment, and the dossier on better regulation. He expected the European Council to approve the great majority of the Commission initiatives.

The PRESIDENT noted the considerable interest the European Council had sparked in the media and among the general public. He noted that certain aspects still remained open, and that a further effort would be required before the close of the European Council, in cooperation with the Council Presidency, if the issues were to be resolved.

The PRESIDENT then moved on to the subject of the preparations for the Berlin Declaration, whose main points would be presented to the Heads of State or Government by the Presidency. He welcomed the fact that the preparations largely reflected the Commission's objectives. He concluded by drawing attention to the Presidency's intention to put transatlantic matters before the European Council, including a draft of the renewed transatlantic economic partnership.

There followed a brief exchange of views in which the following points were mentioned in particular:

- the positions taken by the Member States at the "General affairs and external relations" Council meeting of 5 and 6 March;
- the generally favourable reception that had been accorded to the Commission proposals on energy and climate;
- differences between the Member States as regards the perception of climate change;
- the major progress achieved towards the unbundling of the energy sector;
- the importance of highlighting, in the communication strategy for the energy and climate change dossier and the results of the European Council, the successes that had been achieved;
- the importance of further clarifying the draft renewed transatlantic economic partnership.

The Commission took note of this information.

11.3. RELATIONS WITH PARLIAMENT

iv) Action taken on Parliament's opinions and resolutions

(point 3.4.2 of the record of the IRG)

The Commission adopted SP(2007)1016 and /2 listing the action taken on the opinions and resolutions adopted by Parliament at its January I and II 2007 part-sessions, for transmission to Parliament.

12. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

12.1. WRITTEN PROCEDURES APPROVED

(SEC(2007)282 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 26 February and 2 March.

12.2. SENSITIVE WRITTEN PROCEDURES

(SEC(2007)283)

The Commission took note of the sensitive written procedures for which the time limit expired between 5 and 9 March.

12.3. "BETTER REGULATION" INITIATIVE – FAST TRACK ACTIONS FOR REDUCING THE ADMINISTRATIVE BURDEN ON ENTERPRISES IN THE EU

(SEC(2007)330)

Mr VERHEUGEN reported on the intermediate results of the so-called "fast track" actions for reducing the administrative burden on enterprises. He briefly recalled for the meeting the key elements of the Action Programme approved by the Commission on 24 January 2007 (COM(2007)23 final), laying particular emphasis on the thirteen priority areas in which the

Commission envisaged reducing the administrative burden. He then passed on to the list of actions, which were grouped into three categories, i.e. four Commission actions, three measures that were part of a wider legislative package, and three specific legislative proposals.

Mr VERHEUGEN considered that all the planned actions could be adopted, probably by written procedure, by summer 2007. The actions would considerably reduce the burden on enterprises without, however, reducing the present level of health and safety standards in the workplace. Lastly, he thanked the Members of the Commission, especially Mr BARROT, Ms REDING, Mr KYPRIANOU, Ms FISCHER BOEL and Mr McCREEVY, for their assistance in this matter.

The Commission took note of these observations and of Mr VERHEUGEN's note in SEC(2007)330.

12.4. EMPOWERMENT

(SEC(2007)284 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 26 February and 2 March.

12.5. DELEGATION AND SUBDELEGATION OF POWERS

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 26 February and 2 March, as archived on the "Greffé 2000" (Registry) website.

13. RELATIONS WITH THIRD COUNTRIES

13.1. AGREEMENT ON AIR TRANSPORT BETWEEN THE EU AND THE USA

(SEC(2007) 328 ET /2)

Mr BARROT briefly informed the Commission of the signing by the negotiators on 2 March of an initial Air Transport Agreement between the European Union and the United States. He expressed the hope that a final agreement could be adopted by the Transport, Telecommunications and Energy Council on 22 and 23 March so that it could be signed at the EU-US summit on 30 April.

He drew the Commission's attention to the major advances made in this agreement, most notably with regard to the amended rules on investment, the liberalisation of traffic rights and the opening up of flights used by American officials to European airlines.

Mr BARROT noted, however, that the agreement was not entirely satisfactory with regard to the position of European investors in controlling the capital of American companies, where they may hold no more than 25% of the voting rights, although the United States had accepted holdings of up to 50% under certain conditions. He pointed out that the United States had accepted a second round of negotiations with a view to reaching an agreement at a later stage.

Mr BARROT noted the concerns of companies in several Member States that had thus far benefited from a closed market, but pointed out the significant long-term benefits for all Member States, notably:

- a significant increase in transatlantic flights;
- lower prices;

- the creation of an estimated 72 000 jobs on both sides of the Atlantic.

At the end of the presentation, Mr MANDELSON congratulated Mr BARROT on his work during the negotiations on the air transport agreement and pointed up the improvements it would bring about. He was, however, concerned at certain imbalances, particularly in connection with the limitation of the powers of European investors and access to the American market sought by European companies, and noted that some Member States might be opposed to any final adoption of the agreement.

Mr BARROT explained that negotiations had to be extended to enable a balance to be struck before the conclusion of the final agreement. He explained to the Commission the difficulties involved in the negotiations, given the prevailing position of Congress, but noted the efforts of the Council Presidency in this process.

The Commission took note of the information and of Mr BARROT's memorandum (SEC(2007) 328/2).

***13.2. VISIT TO THE MIDDLE EAST (EGYPT, ISRAEL, THE PALESTINIAN TERRITORIES AND JORDAN, 26 FEBRUARY TO 2 MARCH) AND THE RESULTS OF THE GENERAL AFFAIRS AND EXTERNAL RELATIONS COUNCIL (BRUSSELS, 5 MARCH 2007)
(SEC(2007) 333)***

Ms FERRERO-WALDNER gave a brief account of her visit to the Middle East and the results of the General Affairs and External Relations Council discussions of 5 March.

On the Middle East peace process, Ms FERRERO-WALDNER reported that Arab leaders had responded warmly to the Mecca agreement, although they were more reserved as regards the question of a government of national unity for the Palestinian Territories. All the leaders she had met had stressed their commitment to the principles laid down by the Quartet (the United Nations,

the European Union, the United States and Russia). She observed, however, that there were slight differences in the views expressed based on the interlocutor's sensibilities.

Turning to the General Affairs and External Relations Council, Ms FERRERO-WALDNER noted the consensus among European Ministers on the importance of supporting President Abbas and remaining united, as the main objective was to define the scope of the cooperation to be established with the future government of national unity or its individual members.

She welcomed the positive response to the international temporary mechanism, which gave the European Union a high profile in the region.

Finally, moving on to future steps, a number of meetings had been planned: at the end of March there was to be a meeting between Palestinian and Israeli leaders, Condoleezza Rice was to visit the region and an Arab League summit was planned; in mid-April there was to be a meeting of the Quartet, probably at Sharm-el Sheikh.

As regards the European neighbourhood policy and the action programmes, Ms FERRERO-WALDNER was pleased to note the significant progress made with regard to bilateral relations with neighbours in the South, most notably the adoption of the action plan with Egypt by the EU-Egypt Association Council on 6 March.

She also noted that Morocco, with the support of several Member States, had requested "advanced status" and that Israel had also expressed the desire to strengthen relations with the European Union at the EU-Israel Association Council on 27 February 2007.

On the subject of Iran, Ms FERRERO-WALDNER noted the general concern in the Middle East with regard to the Iran's nuclear potential and the hope that EU action would make it possible for negotiations to restart. She reported that the General Affairs and External Relations Council had agreed to maintain its

twin-track approach (economic sanctions and willingness to engage in dialogue).

The Commission took note of the information and of Ms FERRERO-WALDNER's memorandum (SEC(2007) 333).

13.3. THE DOHA DEVELOPMENT PROGRAMME – STATE OF NEGOTIATIONS

Mr MANDELSON reported to the Commission on his latest meetings in London and Geneva with the Director-General of the World Trade Organisation (WTO), Pascal Lamy, and representatives from the United States, Brazil and India. He also mentioned the negotiations that had been taking place in recent months within the WTO concerning the Doha Development Agenda. He thought the negotiations were helping to find agreement on the broad outlines of a compromise on access to agricultural markets and domestic support. However, he thought that the latest meetings in London and Geneva had not produced the results needed to make a major step forward, especially in relation to agriculture.

Given the urgency and uncertainty of the situation, Mr MANDELSON considered that to make progress on agricultural matters it was necessary to continue high-level negotiations between the European Union, Brazil and the United States before April. He thought that the United States still needed to modify their position greatly and demonstrate flexibility for the negotiations to be successful. He also said he intended to continue talking to Mr Lamy, representatives of third countries and the current Council Presidency in the next few days.

Finally, Mr MANDELSON stressed that the Commission's position was entirely in line with the instructions issued by the Council and that the European Union had not made any fresh or conditional offer. He also stated that the European Union's representatives would not embark on any unilateral course in the negotiations and that they would attempt to advance the

negotiations in a constructive and pragmatic spirit, without forgetting the interests of the European Union.

The Commission held a brief exchange of views during which the following points were mentioned:

- the dynamics of the negotiations, which have reached a decisive stage;
- the urgent need for substantial progress in the negotiations, particularly as regards the United States' position;

The PRESIDENT concluded the discussion by thanking Mr MANDELSON and Ms FISCHER BOEL for their major contributions and constructive approach in the ongoing negotiations. Given the urgency of the situation, he declared his willingness to step up high-level contacts with the representatives of the American authorities.

The Commission took note of the information.

14. ORIENTATION DEBATE – THE EUROPEAN UNION’S RELATIONS WITH THE PEOPLE’S REPUBLIC OF CHINA (SEC(2007) 314)

The PRESIDENT opened the debate by placing it in the context of the communication of October 2006 "EU-China: closer partners, growing responsibilities", a communication which, accompanied by a paper on trade issues, had outlined a new approach and launched a discussion of the EU's relations with China. He began by pointing out that this package, though subsequently endorsed by the Council, had met with a cooler response from the Chinese partners, some of whom would have preferred China to be given more time before assuming greater international responsibilities.

The PRESIDENT, for his part, felt that events showed the Commission to be right and vindicated its approach. He cited China’s activities in Africa and their impact on the international community, its role in the matter of climate change and the

unprecedented repercussions of the recent mini-crash on the Shanghai stock market on all the world's financial markets. He took the view that China's now indisputable influence on the international community had to be matched by greater responsibilities at global level.

The PRESIDENT spoke of the challenge that the upheaval in global structures connected with the phenomenal growth of the Chinese economy represented for Europe. He stressed in this respect how important it was for the EU to present a united front and hoped that this Commission would be able to chart the course for a new relationship between Europe and China.

Addressing the major role that could be played by the partnership and cooperation agreement, negotiations for which were decided at the Helsinki summit in September 2006, the PRESIDENT said it would nevertheless be just one factor in the process and would need to be accompanied by an ambitious, coordinated programme by the Commission's departments in dealings with China. He drew attention to the importance of close cooperation with the Council if objectives in the matter of relations with China were to become truly EU objectives.

The PRESIDENT thanked Ms FERRERO-WALDNER and Mr MANDELSON and their departments for their excellent work and asked Members who wished to do so to state their views on how the objectives set should be achieved.

Ms FERRERO-WALDNER welcomed a debate that provided an opportunity to take stock of progress on the priorities identified in the October communication, which events in recent months had proved to be apposite. She felt that launching negotiations for a new partnership and cooperation agreement was a good start, but that China's growing assertiveness in a number of areas required Europe to use its resources more effectively. She therefore wanted the discussion to take stock of the progress of the various sectoral dialogues under way between Commission departments and China, to show how political agreements attractive to China could be presented, and to deliver methods serving to increase the impact of cooperation between the two partners.

Ms FERRERO-WALDNER briefly summarised the latest developments since October's communication: she cited January's launch of negotiations for the partnership and cooperation agreement in Beijing but also the Chinese government's reactions to the content of the communication, a response that was broadly positive but nevertheless mixed on such issues as market-economy status, the arms embargo, Taiwan and recognition of China as a developing country.

As for the content of the political agreements that might be drawn up, Ms FERRERO-WALDNER mentioned the emphasis placed on energy security and sustainable development during her visit to China in January and welcomed the importance that the Chinese government was now attaching to environmental issues. She felt the two sides would be able to reach overall agreement in this area, like that of visas and readmission. She stressed the importance in this respect of contacts with the right partners and backed the PRESIDENT's suggestion that group visits to China be organised for Commissioners.

As regards the methods to be promoted to increase the impact of cooperation between the two partners, Ms FERRERO-WALDNER saw room for progress in the coordination of initiatives by Members of the Commission, especially as regards their trips to China, but also their political messages.

She concluded by underlining that the EU's objective was to support China's economic and political renewal and to encourage the country to couple its economic efforts with political opening-up, the development of a stable, pluralist society and recognition of its responsibilities in the matter of peace and sustainable development in its own region and beyond. She finished by hoping that the 2008 Beijing Olympics would help achieve these objectives.

Mr MANDELSON began by focusing on the signals concerning the opening-up of EU markets conveyed in October by the paper on trade relations and investment. He reiterated the importance and ineluctable nature of such a policy of openness since it was no more possible to close European markets to fair competition from China than it was to deny EU businesses and consumers the benefits of trade with that country.

Mr MANDELSON nevertheless reiterated the conditions for this opening-up: reciprocal and symmetrical opening-up by China to European trade and investment and the effective handling by the EU of the problems of unfair competition and the infringement of intellectual property rights.

As for putting the October communication's trade and investment content into practice, Mr MANDELSON said initial results had been somewhat disappointing and cited a number of areas in which the Chinese were dragging their feet, something he attributed to the political situation in China, overproduction and China's growing assertiveness. He observed that it would be difficult to agree terms of reference for updating the 1985 Trade and Cooperation Agreement in the context of the negotiations for the partnership and cooperation agreement, since the Chinese refused the inclusion of a commitment on access to investment and public procurement. He felt this needed to be discussed, especially in terms of the issue of China's recognition as a market economy.

Mr MANDELSON also stressed the need for China to show a stronger commitment to multilateral governance and the importance of the country's assuming responsibilities commensurate with the benefits it was drawing from globalisation. He also pointed out the paramount importance of China's relations with the G8.

Mr MANDELSON believed that the scale of the challenge called for a coordinated approach by all Members of the Commission, not just with each other but with the Council's General Secretariat and the Member States as well. He suggested setting up a steering group on China with a membership that was not confined to just the Relex Commissioners; he also backed the proposal for a group of Commissioners headed by the PRESIDENT to visit China with a thoroughly prepared agenda focusing on key issues such as sustainable development.

Mr MANDELSON concluded by addressing the matter of the arrangements and scope for coordination with the United States on China and whether a differentiated approach would be more appropriate.

The Commission then engaged in a wide-ranging discussion during which the following points were mentioned:

- broad support for the guidelines outlined in the memorandum;
- the benefits of an integrated, coordinated approach to relations with China and of a new mode of dialogue, which could make themselves felt in the negotiations for the new partnership and cooperation agreement;
- the desire for a positive approach to China, which, though undoubtedly a major competitor, should not be seen as a threat but as an enormous potential market for European businesses, which possessed significant strengths in terms of quality and innovation;
- the need for caution in the matter of granting market-economy status while major distortions of competition rules persisted and the need to assess the economic impact very carefully;
- the importance of expanding the macroeconomic dialogue with China and continuing, informally, to seek a solution to the problem of the reform of the exchange-rate system that did not disadvantage Europe and the euro zone;
- the observation that the situation in China was less than satisfactory in a number of areas: fundamental rights, and in particular the rights of the child, police cooperation and fighting organised crime, illegal immigration from China and counterfeiting;
- the considerable energy and investment devoted by China to technological innovation and development, the desire for cooperation between the two partners in the field of research and the progress to be made in the areas of mobility and reciprocity; the dialogue to be conducted with China on standards and such issues as intellectual property rights;
- the need to address China's role in Africa and its repercussions;

- the value for Europe of presenting a united front and engaging China in a discussion on the status of Kosovo;
- the experience of cooperation on questions of anti-trust rules, the European model's successful influence in this area but also the difficulty of negotiations when it came to enforcing the rules;
- the many facets of cooperation on education and culture and China's growing take-up of Community programmes such as Erasmus Mundus, China's strong backing for the Unesco Convention on cultural diversity and its implementation but also the need for a more specific cooperation area, for greater transparency and efficiency and the role that the Beijing Olympics could play in promoting intercultural dialogue;
- China's role in the delocalisation of European businesses and the need to build a social dimension into cooperation and to address such sensitive issues as the rights of workers and trade unions, social standards, health and safety, in order to make European public opinion more receptive to the Chinese partner;
- the importance for Europe to speak with one voice on China and to go into negotiations with an effort to adapt better to the long-term thinking practised by the Chinese;
- the value of promoting the study of Mandarin in Europe in order to understand the Chinese better;
- the importance, during the negotiations, of keeping in mind the problems encountered in the area of consumer protection, and more specifically product safety, since 70% of products found to be dangerous come from China;
- the need for European commitment in favour of sustainable growth and energy efficiency in China;
- the value of also conducting a regional dialogue with China, since the regional leaders could be influential partners.

(7 March 2007)

The PRESIDENT drew attention to the danger that other developing countries might see the Chinese development model, with its combination of capitalism and authoritarianism, as the way forward. He also pointed to the difference in perception between the United States and Europe: Europeans tended to see China as an economic issue whereas Americans saw it as a strategic geopolitical challenge to their dominance.

He noted that all Members of the Commission agreed that relations with China were extremely complex, that its development was a major challenge, that its development was accompanied by both risks and enormous opportunities, and that relations with the People's Republic should be viewed positively.

The PRESIDENT stressed the awareness of the Chinese of their country's image abroad and their desire to engage in a constructive relationship with the EU, which they recognise as a key partner. He stressed that China understood the European dimension and had always backed the EU's integration process.

The PRESIDENT closed by noting the backing expressed for the proposed format for official visits to China by groups of Commissioners and the agreement that meetings of the Relex Commissioners on China should be open to other Members interested; this was without prejudice to coordination by DG Relex at an appropriate level and between the departments directly concerned. He also hoped that the state of relations with China would be discussed more regularly at Commission meetings.

The Commission took note of the outcome of the orientation debate and the memorandum from the PRESIDENT, Ms FERRERO-WALDNER and Mr MANDELSON (SEC(2007)314).

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The meeting closed at 13.20.