



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2008)1814 final

Brussels, 23 January 2008

MINUTES
of the 1814th meeting of the Commission
held in Strasbourg
(Winston Churchill building)
on Tuesday 15 January 2008
(afternoon)

PV(2008)1814 final

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Single sitting: Tuesday 15 January 2008 (afternoon)

The sitting opened at 13.20 hours with Mr BARROSO, President, in the chair.

Present:

Mr BARROSO	President	
Ms WALLSTRÖM	Vice-President	Items 1 to 9
Mr VERHEUGEN	Vice-President	
Mr BARROT	Vice-President	
Mr FRATTINI	Vice-President	Items 1 to 10/11 (in part)
Ms REDING		
Mr DIMAS		
Mr ALMUNIA		
Ms HÜBNER		Items 1 to 10/11 (in part)
Mr BORG		
Ms GRYBAUSKAITĖ		
Mr POTOČNIK		Items 1 to 10/11 (in part)
Mr FIGEL'		
Mr KYPRIANOU		Items 1 to 10/11 (in part)
Mr REHN		
Mr MICHEL		Items 1 to 10/11 (in part)
Mr KOVÁCS		Items 1 to 10/11 (in part)
Ms KROES		
Ms FISCHER BOEL		
Mr McCREEVY		
Mr MANDELSON		Items 1 to 10/11 (in part)
Mr PIEBALGS		Items 1 to 10/11 (in part)
Ms KUNEVA		
Mr ORBAN		

(15 January 2008)

Absent:

Mr KALLAS

Vice-President

Ms FERRERO-WALDNER

Mr ŠPIDLA

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

Ms OEN	A member of Mr KALLAS's staff	Items 1 to 8, 10 and 11
Mr KUEHNEL	A member of Ms FERRERO-WALDNER's staff	Items 1 to 8, 10 and 11
Mr OUAKI	Deputy Chef de cabinet to Mr ŠPIDLA	Items 1 to 8, 10 and 11

The following also sat in:

Mr VALE DE ALMEIDA	Chef de cabinet to the PRESIDENT	
Ms DURAND	Acting Director-General, Legal Service	
Mr WORINGER	Communication DG	Items 1 to 8, and 10/11 (in part)
Mr LAITENBERGER	Commission Spokesman	Items 10 and 11
Ms CARVALHO	Bureau of European Policy Advisers	Items 1 to 8, 10 and 11
Mr CABRAL	Adviser hors classe in the PRESIDENT 's Office	Items 10 and 11
Mr MARQUES DE ALMEIDA	A member of the PRESIDENT 's staff	Items 10 and 11
Ms BOIX ALONSO	A member of Ms KROES's staff	Items 1 to 9

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

1. AGENDAS

(OJ(2008)1814/5; SEC(2008)1/3)

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

It also took note of the addition during the meeting, of the proposal for a decision set out in item 9 of these minutes.

2. WEEKLY MEETING OF CHEFS DE CABINET

(SEC(2008)1814 AND /2)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 7 and 14 January 2007.

**3. APPROVAL OF MINUTES AND SPECIAL MINUTES OF 1813TH MEETING
(19 DECEMBER 2007)**

(PV(2007)1813; PV(2007)1813, PART II AND /2)

The Commission approved the minutes of its 1813th meeting.

4. INTERINSTITUTIONAL RELATIONS

(SEC(2007)1717 AND /2; SEC(2008)6)

The Commission took note of the records, distributed as SEC(2007)1717 and /2, and SEC(2008)6, of the meetings of the Interinstitutional Relations Group (IRG) held on Wednesday 19 December 2007 and Friday 11 January 2008 respectively.

It paid particular attention to the following:

4.1. LEGISLATIVE MATTERS

i) Preparation for the January I 2008 part-session of Parliament

(point 1.2 of record of the IRG of 11 January 2008 – SEC(2008)6)

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 associated, to take a position on Parliament's amendments to its proposals.

It paid particular attention to the following:

Codecision – 2nd reading

- Harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers (Directive) – LECHNER report – 2002/0222 (COD)

The Commission approved the compromise text in SP(2007)6546/2 in order to reach agreement at second reading.

Empowerment

- Harmonisation of the laws, regulations and administrative provisions of the Member States concerning credit for consumers (Directive) – LECHNER report – 2002/0222 (COD)

The Commission empowered Mr KUNEVA, under Article 13 of its Rules of Procedure, in agreement with the PRESIDENT and Ms WALLSTRÖM and any associated Members, to adopt and transmit to the Council its opinion on the amendments, in accordance with Article 251(2)(c) of the Treaty, once Parliament had been consulted, and if necessary to attach to its opinion an amended proposal, on the basis of the line set out in SP(2007)6546 and /2.

Codecision – 1st reading

- Simplified regime for the control of persons at the external borders based on the unilateral recognition by the Member States of certain residence permits issued by Switzerland and Liechtenstein for the purpose of transit through their territory (Decision) – DEMETRIOU report – 2007/0186 (COD)

The Commission approved the line set out in SP(2008)76.

- Simplified regime for the control of persons at the external borders based on the unilateral recognition by Bulgaria, the Czech Republic, Cyprus, Latvia, Hungary, Malta, Poland, Romania, Slovenia and Slovakia of certain documents as equivalent to their national visas for the purposes of transit through their territories (Decision) – CASHMAN report – 2007/0185 (COD)

The Commission approved the line set out in SP(2008)77.

Consultation

- Multiannual framework for the Fundamental Rights Agency for 2007-2012 (Decision) – CASHMAN report – 2007/0189 (CNS)

The Commission approved the line set out in SP(2008)78 and /2.

4.2. RELATIONS WITH THE COUNCIL

ii) Programming of Council business
(SI(2008)6)

The Commission took note of the information in SI(2008)6 on the Council meetings between 10 and 23 January 2008.

4.3. RELATIONS WITH PARLIAMENT

iii) Preparation for the January I part-session of Parliament – non-legislative matters

(point 3.1 of record of the IRG of 11 January 2008 – SEC(2008)6)

- Oral question O-0081/2007 – A European strategy on the Roma

The Commission took note of SP(2008)58/3.

- Oral question O-0082/2007 – Status of elected MEPs in Poland

The Commission took note of note SP(2008)58/3.

iv) Preparation for the January I part-session of Parliament – Oral Questions

(point 3.4 of record of the IRG of 11 January 2008 – SEC(2008)6)

- Questions H-0962/07, H-0964/07, H-0965/07, H-0966/07, H-0968/07, H-0970/07, H-0972/07, H-0974/07, H-0976/07, H-0978/07, H-0980/07, H-0981/07, H-0983/07, H-0984/07, H-0986/07, H-0987/07, H-0988/07, H-0989/07, H-0992/07, H-0994/07, H-0995/07, H-0996/07, H-0999/07, H-1002/07, H-1004/07, H-1005/07, H-1007/07, H-1008/07, H-1009/07, H-1011/07, H-1013/07, H-1015/07, H-1017/07, H-1018/07, H-1019/07, H-1020/07, H-1021/07, H-1022/07, H-1023/07, H-1024/07, H-1026/07, H-1027/07, H-1030/07, H-1031/07, H-1033/07, H-1035/07, H-1036/07, H-1038/07, H-1039/07, H-1040/07

The Commission approved the draft answers in SP(2008)52 to /4, following the agreement reached between the Chefs de cabinet on further revisions of certain draft answers, set out in SP(2008)52/5 *et seq.*

4.4. RELATIONS WITH THE ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS, THE EUROPEAN OMBUDSMAN AND NATIONAL PARLIAMENTS

v) Action taken on opinions of the European Economic and Social Committee – Second quarter 2007

(point 4.1 of record of the IRG of 11 January 2008 – SEC(2008)6)

The Commission approved the replies to the opinions adopted by the Economic and Social Committee during the second quarter of 2007 contained in the document distributed as SC(2008)1, for transmission to the European Economic and Social Committee.

5. MONITORING THE APPLICATION OF COMMUNITY LAW

***STATE AID – INDIVIDUAL CASES – RECAPITULATIVE LIST
(SEC(2008)27 AND /2)***

The Commission adopted the decisions in the recapitulative list (SEC(2008)27/2).

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

***6.1. WRITTEN PROCEDURES APPROVED
(SEC(2008)2 ET SEQ.)***

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the empowerment procedure between 17 December 2007 and 11 January 2008.

6.2. SENSITIVE WRITTEN PROCEDURES

(SEC(2008)3 TO /3)

The Commission took note of the sensitive written procedures for which the time limit expires between 7 and 18 January and of the "finalisation" written procedure initiated following the weekly meeting of Chefs de cabinet on 7 January.

6.3. EMPOWERMENT

(SEC(2008)4 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the empowerment procedure between 17 December 2007 and 11 January 2008.

6.4. DELEGATION AND SUBDELEGATION OF POWERS

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 17 December 2007 and 11 January 2008, as archived in "Greffé 2000" (Registry).

7. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2008)5/2)

ADMINISTRATIVE MATTERS

(PERS(2008)3)

**7.1. OFFICE FOR INFRASTRUCTURE AND LOGISTICS – BRUSSELS –
INTERNAL PUBLICATION OF A VACANCY NOTICE FOR AN AD14/15
FUNCTION OF DIRECTOR**

(PERS(2008)1)

On a proposal from Mr KALLAS, in agreement with the PRESIDENT, the Commission decided to authorise the publication, under Article 29(1)(a)(i)

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and (iii) of the Staff Regulations, of the vacancy notice in PERS(2008)1 for the post of Director of the Office for Infrastructure and Logistics in Brussels.

This decision would take effect immediately.

**7.2. OFFICE FOR INFRASTRUCTURE AND LOGISTICS – LUXEMBOURG
– INTERNAL PUBLICATION OF A VACANCY NOTICE FOR AN
AD14/15 FUNCTION OF DIRECTOR
(PERS(2008)2)**

On a proposal from Mr KALLAS, in agreement with the PRESIDENT, the Commission decided to authorise the publication, under Article 29(1)(a)(i) and (iii) of the Staff Regulations, of the vacancy notice in PERS(2008)2 for the post of Director of the Office for Infrastructure and Logistics in Luxembourg.

This decision would take effect immediately.

**7.3. DG ENVIRONMENT – APPOINTMENT OF AD15/16 DEPUTY
DIRECTOR-GENERAL
(PERS(2007)93 TO /5)**

The Commission had before it the list of applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Deputy Director-General of the Environment Directorate-General (PERS(2007)93 to /3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 22 November and 6 December 2007 (PERS(2007)93/4 and /5).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr DIMAS, it then decided to appoint Mr Jos DELBEKE to the vacant post in question.

This decision would take effect on a date to be determined.

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**7.4. JOINT RESEARCH CENTRE – APPOINTMENT OF AD14/15
DIRECTOR (EU-27)
(PERS(2007)51 TO /5)**

The Commission had before it the list of applications under Articles 29(1)(a)(i) and (iii), and 29(2) of the Staff Regulations for the post of Director of the Institute for Environment and Sustainability (Ispra) of the Joint Research Centre (PERS(2007)51 to /3).

The Commission took note of the opinions of the Consultative Committee on Appointments of 10 October and 29 November 2007 (PERS(2007)51/4 and /5).

The Commission proceeded to compare the applicants' qualifications for the post. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr POTOČNIK, it then decided to appoint Mr Leendert HORDIJK to the vacant post in question.

This decision would take effect on a date to be determined.

**7.5. DG EXTERNAL RELATIONS – APPOINTMENT OF AD14/15
DIRECTOR
(PERS(2007)110 TO /3)**

The Commission had before it the list of applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director, Multilateral Relations and Human Rights, in the External Relations Directorate-General (PERS(2007)110).

The Commission took note of the opinions of the Consultative Committee on Appointments of 8 November and 6 December 2007 (PERS(2007)110/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered the applicants' ability, efficiency and conduct in the

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service. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Ms FERRERO-WALDNER, it then decided to appoint Ms Véronique ARNAULT to the vacant post.

This decision would take effect on a date to be determined.

Without prejudice to this decision, the Commission also noted the good qualifications of Ms Marie-Anne CONINSX.

8. RELATIONS WITH THIRD COUNTRIES

8.1. *RELATIONS BETWEEN THE EUROPEAN COMMISSION AND THE ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) WITH REGARD TO ITS FUTURE ROLE (SEC(2008)31 AND /2)*

The Commission took note of the information note from Mr ALMUNIA and Mr MANDELSON in SEC(2008)31/2.

8.2. *FIFTH EURO-MEDITERRANEAN MINISTERIAL CONFERENCE ON ENERGY (LIMASSOL, 16 AND 17 DECEMBER 2007) (SEC(2008)33)*

The Commission took note of the information note from Mr PIEBALGS in SEC(2008)33.

8.3. *VISIT TO LATIN AMERICA (MEXICO, GUATEMALA AND COLOMBIA, 16 TO 22 DECEMBER 2007) (SEC(2008)40)*

The Commission took note of the information from Mr MANDELSON in SEC(2008)40.

9. COMMISSION DECISION CONCERNING THE OPENING OF AN INVESTIGATION IN THE PHARMACEUTICAL SECTOR PURSUANT TO ARTICLE 17 OF COUNCIL REGULATION (EC) 1/2003 ON THE IMPLEMENTATION OF THE RULES ON COMPETITION LAID DOWN IN ARTICLES 81 AND 82 OF THE EC TREATY (CASE COMP/39.514) (C(2008)212 TO /3)

Ms KROES presented the proposal for a decision concerning the opening of an investigation into compliance with the rules of competition in the pharmaceutical sector of the European Community, and more particularly into the placing on the market of innovative and generic medicinal products for human use, that she was tabling for adoption.

She began by drawing attention to the fact that her initiative was justified by the fact that the market in pharmaceutical products was not operating correctly, and noted the great importance of this sector for the economy – 100 billion euros a year – and for public health. There was a need to examine without delay the worrying signs observed as regards particularly innovation, the cost of medicines and the time needed to place innovative and generic medicines on the market, signs that could in part be attributed to widespread practices of companies restricting or distorting competition in the sector. Such practices could have a considerable impact on the health sector, limit consumer choice, reduce the propensity to invest in new medicines and adversely affect public and private health budgets.

Ms KROES therefore proposed that the Commission begin an inquiry into the pharmaceutical sector within the Community; this decision would enable it to make use of its formal investigation powers and so determine the scale of the anti-competitive practices mentioned.

She said that the initial results of the inquiry would be contained in a preliminary report to be published in autumn 2008 with a view to a general consultation of the various players concerned, and that the final report should be adopted in spring 2009.

Lastly, Ms KROES referred to the confidential nature of the work carried out prior to referral to the Commission, given the very high risk that evidence would be destroyed if the Commission's intentions had been disclosed at an early stage.

After this presentation, the Commission discussed the matter, considering in turn the procedural aspects, the relevance of the proposal as regards the substance and the requirements to be satisfied as regards collective responsibility following the opening of the inquiry.

On the procedure followed in this case, the Commission confirmed that the exceptional measures taken by Ms KROES and her department before referral to the Commission were justified, in order to preserve confidentiality of the initiative until the investigations began. It noted that these exceptional arrangements were based on similar precedents in the recent past.

On the matter of substance, the Commission assessed the appropriateness of the proposed decision, taking into account a number of aspects such as:

- the growing intensity of the worrying signs observed and the exact scope of the inquiry, which concerned only anti-competitive practices;
- the negative trend of the level of satisfaction of European citizens with the pharmaceutical sector, in certain Member States in particular;
- the causes, other than practices restricting or distorting competition, that might explain the unduly low level of innovation of the European pharmaceutical industry;
- the value of the inquiry to check the size of the obstacles to competition, and particularly their role in the phenomena observed as regards the level of innovation and the price of medicines;
- the Commission's duty to make use of its prerogatives to check the situation in sectors where there are practices restricting or distorting competition;

- the need to place the work and the results of the investigation in a broader framework in order to have a full picture of the situation in the sector;
- the attention paid by the national competition authorities of certain Member States and of some non-member countries to the pharmaceutical sector.

Lastly, the Commission underlined its insistence on compliance with the principle of collective responsibility. It therefore put on record the need for the Commission Members and departments most directly concerned to be closely associated with the work that would follow the opening of the inquiry, given the link between the sector concerned and various other Community policies such as competitiveness (in both its internal and external dimensions), public health and consumer protection. The Commission noted that opening the inquiry did not prejudge its conclusions, pointing out that the usual internal procedures would apply as regards the preparation of the preliminary and final reports of the inquiry.

After considering the matter, the Commission adopted, in the authentic languages (German, English, French and Dutch), the decision set out in the document distributed as C(2008)212.

10. REVIEW OF 2007 AND OUTLOOK FOR 2008 AND 2009

11. OTHER BUSINESS – FINANCIAL MARKET SITUATION, REAL-ECONOMY IMPLICATIONS AND THE EU POLICY RESPONSE (SEC(2008)32)

The PRESIDENT introduced the debate on the review of 2007 and the outlook for 2008 and 2009, pointing out that the debate would also concern the situation on the financial markets, which would be presented by Mr ALMUNIA and Mr McCREEVY. He recalled that the Commission seminar in September had identified the principal trends and the major political challenges for 2008, which now needed to be updated and confirmed.

Before considering the outlook for 2008, he welcomed the positive results from the year, that of the fiftieth anniversary of the European venture, in particular the arrival of two new Member States, Bulgaria and Romania, and the two new Members of the Commission, Ms KUNEVA and Mr ORBAN. He stressed the progress made towards the new Treaty, in accordance with the road map proposed by the Commission in May 2006, entitled "A Citizens' Agenda. Delivering Results for Europe" and listed the various achievements: Berlin Declaration in March to mark the fiftieth anniversary of the signing of the Treaties of Rome, June European Council, Lisbon Intergovernmental Conference in October and finally the signing of the Treaty in December 2007. He was convinced that the content of the Treaty would provide a sound basis for the future, and that the process of securing agreement had demonstrated the existence of a strong consensus on the way ahead.

He noted the determination and capacity of the European Union to respond to peoples' expectations and was pleased that the Commission had a central role to play in defining the Union's political agenda. He also mentioned the proposals on energy and combating climate change which had underlain the ambitious decisions taken by the March European Council. He also mentioned the real progress achieved in many areas such as telecommunications, competition, the common agricultural policy, migration, flexicurity, enlargement of the Schengen area and the better regulation objective. He highlighted the central position now occupied by the Union on the international scene, referring to its role as a driving force within the G8, in transatlantic relations, in relations with Africa and Brazil, in the management of relations with Russia and China and in the Bali process on climate change. And lastly, he referred to the Commission communication of October 2007 which had served as a basis for the discussion on the EU response to the challenges of globalisation at the informal meeting of Heads of State or Government in Lisbon and the implementation of this approach in the set of measures on the Lisbon strategy for growth and jobs adopted in December.

He added that the Commission was also steering the process for setting objectives for the Union's future, in particular by launching the detailed and exhaustive review

of the EU budget, adopting guidelines for the single market and determining a social vision for Europe in the twenty-first century.

The success of 2007 was largely based on how well the Commission had managed to establish working relations with the European Parliament and the Council; this partnership approach had been essential in securing agreement on the Lisbon Treaty and on complex matters such as the European Institute of Technology and Galileo. The Commission's investment in interinstitutional relations had proved particularly profitable when viewed from this angle.

The PRESIDENT therefore considered that the European Union should sustain this momentum in 2008, building on the results of the past year and also on the public's enhanced confidence in the Union – a trend demonstrated by the results of the most recent Eurobarometer, in particular as regards views on belonging to the European Union, where the results were the most positive for over a decade. But the PRESIDENT added that while the public were now convinced of the Union's ability to defend their interests, they also had growing expectations of the Union, and efforts needed to be stepped up to respond to these expectations.

The PRESIDENT then turned to the political priorities for 2008, stressing that the most important and most sensitive was ratification of the Lisbon Treaty. While admitting that some would have liked a more ambitious Treaty, what had been achieved was a credible and balanced result. What he recommended now was cooperation with the national authorities to deliver a coherent message to the people of the 27 Member States. Following on from the discussion started within the Commission in December, he would be asking Members, in the weeks ahead, to hold a detailed policy debate on the Commission's approach to the ratification process, to the challenges this posed in the various Member States, to the difficulties likely to be encountered, and to the way in which the Commission could anticipate specific needs during this period.

Turning to the economic situation, the PRESIDENT noted a decline in confidence, highlighting the forecasts of recession, inflation and the references to the present situation on the financial markets. He feared in particular that the gloomy economic

situation would curb the determination of political leaders to introduce the necessary reforms. While recognising that this was a natural reaction, he would have preferred to take it as a demonstration of the even more pressing need to make changes. He was convinced that the Commission was the right institutional actor to anticipate the changes that European society could incorporate, as was done with regard to the European vision of globalisation as proposed by the Commission, which had been defined by the conclusions of the December 2007 European Council, and as was happening with the proposals on climate change and renewable energy scheduled for adoption the following week. He stressed the importance of drawing benefits from the Union's strong points rather than slowing down the pace of reform, something which would inevitably have more negative consequences in the medium term.

The PRESIDENT noted that there were new political challenges, linked in particular to the end of the European Parliament's term and the possible increase in certain electoral tensions. He recommended working in close collaboration with the European Parliament and demonstrating the Commission's total commitment to this partnership. He also referred to cooperation with the two Council Presidencies in 2008, which both required a big investment on the part of the Commission.

There were important international matters too, in particular the situation in Kosovo, Bosnia and Herzegovina and Serbia, the prospects for relations with Russia in the light of the approaching presidential elections in that country, and the thought that had to be given to the impact of political changes in the United States, without forgetting developments in the Middle East, Pakistan, Afghanistan and in Africa. He underlined the importance of maintaining the momentum of development policy and the objectives of commercial policy. At the same time he stressed the need to be prepared to react to unforeseeable political circumstances in these areas.

Lastly, the PRESIDENT referred to the Commission's essential mission, namely to deliver results for Europe, by implementing the work programme and continuing to develop its political agenda. He was convinced that the Commission's determination and commitment had been behind the success of this strategy and were the

foundation for the positive trends in public opinion. He recommended continuing efforts on the objectives of a peoples' Europe, while producing proof, through concrete actions, that competition policy provided benefits for citizens and consumers. In conclusion he stressed the importance of working together collectively, pointing out that this dimension of the Commission was the best testimony to the application of the common European interest.

Mr ALMUNIA referred to the international economic situation and in particular the state of the financial markets, with a special reference to the United States, the impact of which was gradually spreading to the European economies. He analysed the economic and financial data on the estimated losses incurred by financial institutions as a result of the subprime crisis in the United States and the relative proportions of losses so far announced by American and European banks. But he felt that given that these losses had already been anticipated, the markets should not suffer an after-shock from this negative situation, even though dangers still existed in terms of market expectations and uncertainties in the analysis of the situation.

He noted the difficulty of establishing forecasts on the impact of this situation on the real economy in the European Union, in particular effects on households and non-financial sectors, given that the fundamentals were still sound as regards job creation. But the risks concerned (i) the tightening of credit conditions and the increase in interest rates for households and business, (ii) the slowdown in consumption in the United States, and (iii) the amplification of the impact in Europe should the crisis persist. With these data, the interim economic forecasts due to be published on 21 February would be likely to include a downward revision of growth figures.

Despite the repercussions this US-born crisis had had on European banks, Mr ALMUNIA welcomed the rapid and effective offsetting action of the European institutional actors, in particular the European Central Bank and the national central banks and the coordinated way in which they had managed the constraints affecting liquidity. He also recalled the initiatives taken by the Commission last October, developed over the following months and discussed at length within the Economic

and Financial Affairs Council and by the European Council. He recommended maintaining the efforts for developing an effective and stability-oriented economic policy and the objectives of the Lisbon Strategy for growth and jobs, and referred also to the discussions that would begin in May 2008 on economic and monetary union, improving economic governance and on the Union's budgetary framework.

Mr McCREEVY in turn referred to the situation on the international financial markets. He noted that at the present time it was impossible to predict the outcome of the financial crisis, some forecasts being fairly optimistic while others were much more pessimistic. But he was convinced that the repercussions would go on being felt for a long time, until the financial institutions managed to evaluate and offset their losses and the situation returned to normal. He did, however, stress that the risk of other sectors being affected was limited if the United States managed to avoid a recession. At the present stage he felt European financial institutions had managed to handle the crisis with smaller losses than the American institutions, but caution should still be exercised until the final results for 2007 were published.

As regards European Union action to deal with this situation, he referred to the October 2007 Council meeting on Economic and Financial Affairs, which had adopted a series of measures to strengthen financial management in the Union to which others could be added in future. He noted that the Commission played a dynamic role in working out these measures, which would be the contribution of the Economic and Financial Affairs Council to the March 2008 European Summit. Other forums, such as the G8, the International Monetary Fund or the Financial Stability Forum, were looking into these subjects, a process which would continue at the informal meeting called by the British Prime Minister, Gordon Brown, for the end of January. In this connection he welcomed the broad consensus among Member States and international partners on the points to be discussed and the need to avoid any over-hasty reaction.

But he noted that this consensus was not present in the European Parliament, in particular as regards the analysis of the role of hedge funds and sovereign funds. Referring to the debate on sovereign funds that the Commission had held last

December, he pointed out that these had made a substantial contribution to restoring the financial situation of various banks and investment funds most strongly affected by the crisis. While noting the issues relating to governance and transparency of these funds, he had to recognise that they played a major role in providing capital at a time of shortage of traditional sources and that they had helped to stabilise the situation.

He drew attention to the role that the Commission needed to play to bring together the Member States in ensuring cooperation and coordination of banking supervision given that there were 42 cross-border financial institutions in the Union and no common rules for supervision and management of this type of crisis. While the Union had high-quality crisis prevention measures, the crisis management capabilities did not match up to the risks, in particular because of difficulties in instilling a cross-border vision in national supervisors and the lack of consensus for implementing the solutions available. He noted that the opinions of the Member States diverged, between the desire to have a European supervisory authority or simply a board of European supervisors, and maintenance of the status quo, a solution that he considered inappropriate. Consequently, this matter must be a priority for the remainder of the Commission's term, in the context of the debate on the Lamfalussy process.

In conclusion Mr McCREEVY pointed out that while it was impossible to predict how the situation would develop in the United States, there was no doubt that the coming months would be of crucial significance. While the Union had a good command of the financial management aspects, the major economic challenges in the years ahead would come in the real economy.

Endorsing and following up the points made, a number of Commission Members spoke in the ensuing discussion to highlight certain aspects they considered particularly significant in terms of the review of 2007 and the political outlook for 2008 and 2009.

As regards the review of 2007, the following were some of the aspects noted:

- significant progress in the Community development aid policy, which was no longer regarded as a policy of "charity" to African and other beneficiary countries, but as a genuine economic and commercial policy of mutual interest;
- the far-reaching consequences of the disturbances in the international economy in summer 2007.

The challenges for 2008 and even 2009 included the following:

- the uncertainties connected with the process of ratification of the Lisbon Treaty and the need for the Commission to maintain the most balanced attitude possible in this matter;
- without prejudice to the above, the need for the Commission to take an ambitious approach as regards development of the Union, but without abandoning a cautious attitude to mark Union solidarity with the citizens and the protective role it can play in respect of them;
- the need for the Commission to ensure that it preserved its institutional weight at a politically sensitive time during the process of ratification of the Lisbon Treaty;
- the risk of strains in relations between the European Parliament and the Commission as the end of the Commission's term of office and the European elections in 2009 approached, a risk which might be particularly acute in the discharge exercises;
- the uncertainties and risks connected with the installation of the European external action service, for which the practical arrangements must guarantee maintenance of the Commission's institutional prerogatives in the framing and implementation of the Union's external policy;
- the statements by the principal players concerning the prospects for enlargement of the Union;

- development of the situation in Kosovo and its future;
- developments in relations Europe and Russia and between Europe and the countries covered by the neighbourhood policy;
- developments in relations between the Union and the United States, against the backdrop of the uncertainty about the outcome of the American presidential elections;
- the line that would be taken concerning the reform of the Community budget and, more particularly, the reform of the common agricultural policy;
- the development of the principal economic indicators that could confirm the gradual achievement of the objectives of the Lisbon Strategy for growth and jobs;
- the need to take into account the objectives of the Lisbon Strategy in the shaping and establishment of the various Community policies;
- the need for the various European actors to take a firm line in refusing protectionist reactions and in particular the misuse of state aid to deal with Member States' cyclical economic problems;
- the prospects for the development of the financial market situation, and in particular the elimination of the consequences of the 2007 disturbances, allowing that some moderate optimism must be tempered by awareness of the uncertain nature of certain potential developments which cannot yet be predicted, (in particular the position that major international players would take).

At the end of this discussion, the PRESIDENT mentioned the 2006 budget discharge exercise, stressing the major importance for the present Commission, given its determination to secure a positive annual statement of assurance before the end of its term of office. He therefore recommended that this objective be kept in sight at all times and called on the Members of the Commission to respond to the

expectations and criticism recently expressed by the European Parliament. In particular, he expected closer attention to be paid to the structural funds and to certain expenditure in external relations. However, he felt that securing the discharge for 2006 was a collective responsibility for the Commission.

He recalled the Commission's visit to the Court of Auditors in late 2007 when the value of the arguments put forward was highlighted. He wanted the same efforts to be made with the European Parliament now. He also insisted on the importance of stating the Commission's commitment to correcting certain shortcomings and demonstrating that the current risks were simply what were still outstanding. He felt that it would be a good thing to devise an appropriate plan of action.

But he admitted that a large share of the responsibility was borne by the Member States. He therefore recommended stepping up the cooperation effort with them in all the sectors concerned, by making budgetary corrections, suspending payments or issuing recovery orders as soon as problems were detected. The Commission's credibility was at stake. He called on all the Members of the Commission to keep a close watch on all aspects of the discharge exercise in the weeks ahead.

On the economic and financial market situation, the PRESIDENT noted that the "disaster" announced by certain commentators in the summer had not occurred. He could see a number of main reasons for this: (i) the appropriate and timely response of the monetary authorities, in particular the European Central Bank, (ii) the agreement on the road map concluded in October 2007 between Finance Ministers and the Commission, (iii) the resilience of the European financial system, in particular that of the euro area. While he accepted the need to remain watchful, he did not want to draw premature and unduly alarmist conclusions.

He stressed that the road map approved by the Finance Ministers of the Union was still valid, even if it had to be reviewed and refined in the light of needs. In this connection he wanted the Commission report to the spring European Council to set out clearly the progress achieved in implementing this road map. He stressed the

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role that the Commission would undoubtedly have to play at the informal London meeting in late January.

In conclusion he acknowledged that 2008 would be a sensitive year on a number of political issues and that the Commission's attention must focus even more on its role of political steerage. Similarly, the Commission must focus on the political priority of the Lisbon strategy for growth and jobs. He insisted on the importance of the climate change issue and the objectives set in March 2007, the handling of which should not, however, give the impression that economic players would be neglected.

The President urged Members to redouble efforts to ensure collegiality within the Commission and to avoid any divisions; he was convinced that this was the only way that the Commission could ensure favourable developments in 2008 at institutional level. He insisted in particular on the importance of presenting credible proposals to the Council, the European Parliament and the European public. He called on Members to be united behind this general objective.

Lastly, he announced that the Commission would have a policy debate on the Lisbon Treaty ratification process on 30 January and that there would have to be an appropriate commemoration of the fiftieth anniversary of the first meeting of the Commission, which was held on 16 January 1958.

The Commission took note of this information and these conclusions and of the information note from Mr ALMUNIA and Mr McCREEVY, distributed as SEC(2008)32.

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The meeting closed at 16.13 hours.