EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2008) 1853 final

Brussels, 3 December 2008

MINUTES

of the 1853rd meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 26 November

(morning)

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Single sitting: Wednesday 26 November 2008 (morning)

The sitting opened at 09.07 in the Jean Monnet room with Mr BARROSO, President, in the chair. Items 12 to 14 were chaired by Ms WALLSTRÖM.

Present:

Mr BARROSO	President	Items 1 to 11
Ms WALLSTRÖM	Vice-President	Items 9 to 14
Mr VERHEUGEN	Vice-President	
Mr BARROT	Vice-President	
Mr KALLAS	Vice-President	
Mr TAJANI	Vice-President	
Ms REDING		Items 1 to 14 (in part)
Mr DIMAS		
Mr ALMUNIA		Items 1 to 11
Mr BORG		
Ms GRYBAUSKAITĖ		
Mr REHN		
Mr KOVÁCS		
Ms KROES		
Ms FISCHER BOEL		
Ms FERRERO-WALDNER		Items 1 to 12 (in part)
Mr McCREEVY		Items 1 to 12 (in part)
Mr ŠPIDLA		
Mr PIEBALGS		
Ms KUNEVA		
Mr ORBAN		Items 1 to 14 (in part)
Ms VASSILIOU		
Baroness ASHTON		

Absent:

Ms HÜBNER
Mr POTOČNIK
Mr FIGEL'
Mr MICHEL

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

Mr LEMAÎTRE	Chef de cabinet to Ms HÜBNER	
Mr VANDENBERGHE	Chef de cabinet to Mr POTOČNIK	
Mr ADAMIS	Chef de cabinet to Mr FIGEL’	
Mr DOENS	Chef de cabinet to Mr MICHEL	Items 1 to 11

The following also sat in:

Mr VALE DE ALMEIDA	Chef de cabinet to the PRESIDENT	Items 1 to 11
Mr THEBAULT	Deputy Chef de cabinet to the PRESIDENT	Items 9/10/11 (in part) to 14
Ms DURAND	Acting Director-General, Legal Service	
Mr SØRENSEN	Director-General, DG Communication	Items 9 to 14
Mr LAITENBERGER	Commission Spokesman	Items 1 to 11
Mr GASPAR	Acting Director-General, Bureau of European Policy Advisers	
Mr CABRAL	Adviser *hors classe* in the PRESIDENT's office	Items 1 to 11
Mr THOMAS	Chef de cabinet to Mr ALMUNIA	Items 9/10/11 (in part)
Mr WHELAN	Chef de cabinet to Ms KROES	Items 1 to 9/10/11 (in part)
Ms BOIX ALONSO	Deputy Chef de cabinet to Ms KROES	Item 13
Mr BOOGERT	A member of Ms KROES’s staff	Items 9/10/11 (in part)
Ms SCHREIBER	Chef de cabinet to Mr ŠPIDLA	Items 1 to 11
Mr SERVOZ	Secretariat-General	Items 1 to 11
Mr SLEATH	Secretariat-General	Items 1 to 11

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

1. AGENDAS
(OJ(2008)1853/3; SEC(2008)2879/2)

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(2008)1853)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 24 November.

3. APPROVAL OF MINUTES AND SPECIAL MINUTES OF 1852ND MEETING (18 NOVEMBER)
(PV(2008)1852; PV(2008)1852, PART II)

The Commission approved the minutes of its 1852nd meeting.

4. MONITORING THE APPLICATION OF COMMUNITY LAW

STATE AID – INDIVIDUAL CASES – RECAPITULATIVE LIST
(SEC(2008)2901 TO /3)

The Commission adopted the decisions in SEC(2008)2901/3.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2008)2881 ET SEQ.).

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 17 and 21 November.

5.2. EMPOWERMENT (SEC(2008)2882 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 17 and 21 November.

5.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2008)2883 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 17 and 21 November, as archived in e-Greffe.

5.4. DELEGATION OF POWERS IN THE FIELD OF TRANS-EUROPEAN ENERGY NETWORKS (TEN-E) (SEC(2008)2907 AND /2)

The Commission decided to delegate to the Director-General responsible for energy the power to adopt, on behalf of the Commission and under its responsibility, individual financing decisions concerning the granting of Community financial assistance to a project of common interest in the field of trans-European networks and in the framework of the annual energy programming, as well as decisions amending individual decisions, in accordance with the terms laid down in SEC(2008)2907.

5.5. SENSITIVE WRITTEN PROCEDURES (SEC(2008)2884 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 24 and 28 November and of the "finalisation" written procedures initiated following the weekly meeting of Chefs de cabinet on Monday 24 November.

6. COMMISSION DECISION ON A PROCEEDING UNDER ARTICLE 82 OF THE EC TREATY AND ARTICLE 54 OF THE EEA AGREEMENT *(CASE COMP/39.388 – GERMAN ELECTRICITY WHOLESALE MARKET AND COMP/39.389 – GERMAN ELECTRICITY BALANCING MARKET)* (C(2008)7367 TO /5; SEC(2008)2904)

The Commission:

– took note of the opinion of the Advisory Committee on Restrictive Practices and Dominant Positions of 3 November in C(2008)7367/3;

– took note of the final report of the Hearing Officer of 10 November in C(2008)7367/4;

– adopted in the authentic language (English) the decision in C(2008)7367/5, making the commitments proposed by E.ON compulsory;

– decided that the decision in C(2008)7367/5 would be notified to the company concerned, together with the final report of the Hearing Officer;

– decided to empower the Commission Member responsible for competition to adopt the decisions necessary for the implementation of the commitments annexed to the decision so as to ensure that the company concerned complied with those commitments;

- decided that the most important parts of the decision and the opinion of the Advisory Committee and the report of the Hearing Officer would be published in the official languages in the Official Journal of the European Union (with business secrets removed);
- decided to publish the decision (with business secrets removed) on the Internet.

7. PROPOSAL FOR A COUNCIL DIRECTIVE (EURATOM) SETTING UP A COMMUNITY FRAMEWORK FOR NUCLEAR SAFETY (COM(2008)790 TO /3; SEC(2008)2892 AND /2; SEC(2008)2893 AND /2; SEC(2008)2894/2; SEC(2008)2897)

The Commission adopted the proposal for a Directive in COM(2008)790/3, for transmission to Parliament, the Council and the European Economic and Social Committee, and to the national parliaments, accompanied by the impact assessment and the summary thereof in staff papers SEC(2008)2892/2 and SEC(2008)2893/2, the contents of which were noted.

It also took note of the opinion of the Impact Assessment Board on the above proposal for a Council Directive, as set out in SEC(2008)2894/2.

8. RELATIONS WITH NON-MEMBER COUNTRIES

PHASING OUT OF THE EUROPEAN AGENCY FOR RECONSTRUCTION (SEC(2008)2926)

The Commission took note of the information from Mr REHN in SEC(2008)2926.

9. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS, THE EUROPEAN CENTRAL BANK AND THE EUROPEAN INVESTMENT BANK - A EUROPEAN ECONOMIC RECOVERY PLAN (COM(2008)800 AND /2)

The PRESIDENT introduced the communication he was presenting to the Commission for adoption (in conjunction with items 10 and 11 of these minutes). The European economic recovery plan was largely based on the initiative approved by the Commission in October, and the package of measures proposed sought to establish a European framework for responding to the financial and economic crisis. The Commission's analysis and guidelines had been endorsed both by the Member States and at the G20 summit in Washington on 15 November. He observed that, whereas the informal meeting of Heads of State or Government on 7 November had been convened in order to coordinate the response to the financial crisis, there was now a general acceptance of the need for a coordinated response on the broader economic front, as proposed by the Commission.

The PRESIDENT stressed that if no action was taken the European Union would face a deep and prolonged recession, which would have serious consequences for the economy and jobs. The exceptional nature of the crisis called for exceptional measures in order to prevent long-term repercussions for the economy, a fall in demand, investment and orders, job losses, declining consumption and bankruptcies, but also higher social charges, lower tax revenue and increased public debt.

He highlighted the importance of emergency measures to prevent a serious recession and the need for coordinated action, because isolated measures could be counter-productive. The economic recovery plan, which was based on the Lisbon strategy for growth and jobs, was intended to strengthen the instruments available to the European Union and its Member States and make them more effective.

The measures envisaged aimed to stimulate demand and restore consumer confidence, to respond to the needs of the public, businesses and the markets, but also of the Member States. The underlying premiss, accepted by all the parties, was that only coordinated Community action could produce effective results. This premiss not only reflected the views expressed at the informal meeting of Heads of State and Government on 7 November but was also confirmed at the G20 summit in Washington.

The PRESIDENT then outlined the key elements of the action plan. He began with the budgetary stimulus measures and insisted that the rules of the Stability and Growth Pact allowed a degree of latitude that could be used to the full. A balance needed to be struck between measures to stimulate the economy and budgetary discipline, in order to ensure the effectiveness of the measures but also to prevent any excess public deficits; the measures also needed to take account of the differences between Member States in terms of rates of growth and budgetary situation.

He noted that the instruments would have to be used in way that maximised their effectiveness and relevance, so it was important to time the impact of the measures carefully and to target them to counteract job losses and help the unemployed back into the labour market as quickly as possible. He also referred to the medium and long-term dimension of the measures, the importance of their compatibility with the objectives of the Lisbon strategy and the need for them to contribute to the development of an innovative, knowledge-based, low-carbon economy. He mentioned the example here of the positive experiences of certain Member States, such as Sweden and Finland, that had been able in the past to turn a crisis into an opportunity by investing in emerging sectors of the economy.

The PRESIDENT said that any budgetary stimulus should not extend beyond 2009, or in some cases 2010; Member States needed to balance their budgets again as soon as possible. He also cited the direct contribution of the European Union, particularly the possibility of speeding up payments from the Structural Funds, extending the credit lines of the European Investment Bank and using unexpended funds from the general budget. In this context he called on the Council and the European Parliament to help to implement the recovery plan and, in particular, the revision of the financial framework that would be required in order to fund some of the measures proposed.

The PRESIDENT then turned to the ten specific measures in the action plan, which were designed to have an immediate impact on demand and restoring confidence. When proposing these ten measures the Commission had been careful to place them in the context of the Lisbon strategy, as recommended by the European Council. He mentioned several key areas such as training, energy efficiency, infrastructure and high-speed internet connections, but also measures to reduce the burden on small businesses and to promote research and development, and noted that action had to target both the short term, by stimulating sectors such as construction and the car industry, and the medium and long term, for example by offering pointers for developing innovation. He also reiterated the fundamental principles of solidarity and social justice and insisted that an effective strategy to tackle the economic crisis had to take account of the most vulnerable members of society.

The PRESIDENT thanked the Members of the Commission and the departments concerned for their contributions and the excellent cooperation on this project. He was optimistic about how the package of measures would be received by the European Parliament and by the European Council at its meeting on 11 and 12 December, and invited the Commission Members to support the initiative and promote its implementation. In conclusion, he felt that the recovery plan showed that the Commission could present the Member States and the public with constructive and innovate solutions that helped to enhance the European Union's ability to tackle problems and to protect and promote the interests of European citizens, the Member States and the economy in particularly difficult times.

Mr ALMUNIA then completed the presentation by briefing the Commission on the latest economic figures, which showed a deterioration over the past month that would be reflected in the ECB’s forecasts due to be published on 4 December.

He firmly believed that the deterioration of the economic situation called for an economic recovery plan focusing primarily on budgetary measures. This represented a change in the economic response to crises, which had until now relied essentially on economic stabilisation measures and structural reforms, with budgetary policy being reserved for the long term. He acknowledged that this change in policy was a response to an unprecedented situation. Until the measures to support the financial system yielded results, budgetary policy instruments would have to be used to rekindle demand in the short term.

The package of measures proposed in the short term, which were designed to be timely, targeted and temporary, should be accompanied by a proper reform strategy that would pave the way for lasting recovery. He stressed the need to coordinate these actions which could not, otherwise, produce the desired knock-on effect. The budgetary stimulus measures represented means available to the Member States; the Commission was not proposing a uniform approach, given the significant differences in the leeway that countries had in terms of their public finances. Coordination was therefore an essential policy goal.

He also insisted that the Stability and Growth Pact remained a crucial element that was still entirely relevant, adherence to its rules was extremely important and enabled countries to use the latitude it allowed. The provisions on exceptional circumstances should be applied, bearing in mind that they were temporary and limited and that the Commission might be forced to recommend in the forthcoming months the launch of excessive deficit procedures. He also pointed out that Member States would have to notify their national recovery plans under the updated stability or convergence programmes to be announced shortly.

The Commission then held an in-depth exchange of views in which the following aspects in particular were raised:

General considerations

– The relevance of this recovery plan in the context of an economic crisis that was unprecedented in recent decades, and the balanced nature of the document, which struck the right tone; the need also to envisage the possibility of amending the plan in future to adapt it to a constantly changing economic situation;

- the importance of the Commission playing its part in the coordination and follow-up of the package of measures proposed at national and European levels, ensuring equitable burden-sharing and avoiding protectionism while respecting the uniqueness and diversity of Member States' situations as they confronted the economic crisis;

- the need to treat the crisis not only as a challenge but also as an opportunity to press ahead with the important policy objectives of structural reforms under the Lisbon strategy for growth and jobs, the fight against climate change and the development of a greener economy, energy efficiency and security, and research and innovation;

- in the case of the Stability and Growth Pact, as well as the internal market, competition policy and state aid, the importance of using the flexibility allowed, while still adhering to the rules, and of ensuring that the measures introduced were genuinely temporary;

- the importance of taking into account the social dimension, anticipating the job losses due to the crisis, the budgetary constraints affecting social policies, particularly welfare services, healthcare, child protection, education and training, and the demographic problems linked to the ageing of the population;

- the need to present the objectives of the recovery plan, which were to build an inclusive, people-centred economy, in a language that was accessible to the public and consumers;

- the importance of proper communication on the recovery plan to restore confidence, putting across the main messages, specifically the focus on the citizens and support for the most vulnerable, in particular, continued structural reforms in order to return to sustainable growth, and the pursuit of the goal of a low-carbon economy;

On the budgetary measures

- the suitability of the amounts proposed for the European recovery plan;

- the possibility of reducing the standard rate of VAT, but also the need to take account of the specific circumstances of the Member States and to promote in particular measures targeted at labour taxation and designed to boost the consumption of environmentally-friendly products and energy;

- the case for including the application of reduced VAT rates in some sectors as one of the levers available to Member States, but also questions about the real effectiveness of their impact on consumption;

- the need to gauge what resources were available and to exercise prudence and realism in European budgetary policy, particularly in any plans to redeploy budget appropriations; in this regard, concern that agricultural spending must be kept in line with the terms of the agreement recently reached as part of the health check on the CAP;

- regret that the European resources mobilised could not be supplemented by European loans; also, the benefits to be gained from incorporating the Globalisation Adjustment Fund in the EU budget;

On economic sectors and businesses

- the importance of setting ambitious energy and climate change targets by pursuing structural reforms, in particular to support investment in energy efficiency, and by targeting both public spending and the proposed budgetary measures on a low-carbon economy; the importance of taking the volatility of oil prices into account and of striving to change consumption habits;

- the need to focus on certain industries that were particularly badly hit, such as steel, chemicals and cars; concern over both car manufacturers and subcontractors, which employed a large number of people in Europe and might face even stiffer global competition if specific support measures were introduced in certain non-EU countries;

- the importance of efforts to modernise transport infrastructure, given the potential impact on among others the construction and car industries;

– the need to provide relief for small and medium-sized enterprises in order to help them through the most difficult times, expected in 2009, in particular under a proposal being prepared on targeted measures to facilitate access to funding;

– the case for promoting public-private partnerships and planning the implementation of a specific action plan to that end;

– the importance of restoring confidence in the banking system, particularly as regards the granting of loans to businesses and households in order to re-establish access to funding and investments;

– a concern for concrete action to be taken on the target figures for reducing the administrative burden on businesses; the importance too in this context of the widespread introduction of electronic invoicing, which could save an estimated EUR 18 billion;

– the importance of promoting the development of research, innovation and, in particular, new information technologies;

– a request that the recovery plan make more reference to measures in the education field;

On the international dimension

– the need to reconcile the response to the economic crisis with the climate change targets, while bearing in mind the need to preserve the EU's international competitiveness;

– the prospect of activating trade defence instruments in the face of certain protectionist and anti-competitive practices in international markets;

– the initiatives to be pursued in trade policy, in particular the prospect of relaunching the WTO Doha Round negotiations;

– the importance of reiterating the need to preserve an open and non-protectionist trading system and of honouring the Union's commitments to developing countries and under the European neighbourhood policy.

In reply to certain comments, Mr ALMUNIA once again referred to the rules of the Stability and Growth Pact and pointed out that any departure from them should be limited in time and in scope. He was sure that the Member States recognised and accepted the fact that adherence to these rules was vital for the success of the recovery plan for the EU as a whole.

Winding up the exchange of views, the PRESIDENT noted the Commission's very broad support for the European economic recovery plan, which followed up proposals made by the EU ahead of the Washington summit on 15 November.

He confirmed the Commission's agreement on the amounts proposed for the recovery plan, viz. a total of EUR 200 billion or 1.5% of the Union's GNP, consisting of EUR 170 billion (1.2 % of GNP) from the budgets of the Member States and EUR 30 billion (0.3 % of GNP) from the Community budget and from European Investment Bank resources.

He felt that the EU had a certain room for manoeuvre compared with other international players, in particular because of the effect of automatic stabilisers and its sound social protection system; he therefore felt that the European recovery plan, although ambitious, could be more modest than what was needed in the United States for example.

He pointed out that the recovery plan served to underpin the objectives on combating climate change, which should be kept at the same ambitious level.

He was in favour of using the flexibility provided for in the Stability and Growth Pact, but recalled the strict conditions attached, which would have to be met so that the Pact could play its full role in the present crisis. He also stressed the need to pursue structural reforms, which were all the more important at a time of economic crisis.

The PRESIDENT also highlighted the importance of public-private partnerships for economic recovery and noted the Commission's agreement on the idea that its departments should examine as soon as possible the legal issues surrounding the implementation of such partnerships.

As regards the reduction of VAT, he acknowledged the differences that existed between the Member States, including cultural differences and diverging consumption patterns, which meant that the general or uniform application of such measures was inappropriate. However, he felt that this possibility should be included among the policy instruments available to Member States.

Turning to the Union's multiannual financial framework, he called for optimum use of budget resources and an immediate examination of the margins for manoeuvre. Nevertheless, he noted the Commission's agreement on the fact that any redeployment from heading 2 of the financial perspective to other budget headings would have to be fully in line with the decisions taken on the common agricultural policy and its financing, including the recent agreements under the CAP health check. The Commission also agreed on the principle of maintaining appropriate margins whatever happened. He specified that at the time being it is not envisaged to propose the budgetisation of the European Globalisation Adjustment Fund.

The PRESIDENT also noted the importance of communicating the recovery plan to the media and the public in the right way, underlining its main messages, viz. (i) that an exceptional economic situation called for an exceptional response; that the proposed measures had to be compatible with the Stability and Growth Pact with the aim of achieving long-term stability and pursuing structural reforms; and that these measures should be coordinated and monitored by the EU; (ii) that the response to the crisis involved mobilisation of the Union budget and intervention by the European Investment Bank, synergy between measures at national and EU level, coordination aimed at generating multiplier effects and avoiding the problems that might result from a piecemeal approach; and that the emphasis should be placed on "smart investments" particularly in the fields of climate change, energy efficiency, energy interconnections and innovation in broadband infrastructure; and (iii) that the measures were geared above all to ordinary citizens and included a social dimension, with particular concern for the most vulnerable.

He ended by saying he was convinced that measures had to be taken to transform the present crisis into an opportunity for the future.

Lastly, he noted the Commission's agreement on the following additions and amendments to COM(2008)800/2 in English:

– the following preface was added before the introduction:

"*The time to act is now*

The real test for European governments and institutions comes when faced with the most difficult of circumstances. At such times, they need to show imagination; they need to show determination; and they need to show flexibility. They need to show that they are in tune with the needs of families and communities across the European Union, that they are equal to the task of finding the right response to the sudden downturn in the prospects for growth and jobs in Europe.

Europe will above all be judged on results. Since this Commission took office, it has put the spotlight on the European Union's ability to deliver results for its citizens. It has targeted action on areas which will have an impact on Europeans in every corner of the EU. It has championed a partnership approach to work with the key players at every level. It has made clear that the job is not done until the impact is felt on the ground.

The current economic crisis gives another opportunity to show that Europe serves its citizens best when it makes concrete action the touchstone. Europe can make the difference.

In difficult times, the temptation is to feel powerless. But Europe is not powerless. The levers of government, the instruments of the European Union, the influence of intelligent coordination add up to a potent force to arrest the trend towards a deeper recession. A Europe ready to take swift, bold, ambitious and well-targeted action will be a Europe able to put the brakes on the downturn and begin to turn the tide. We sink or swim together.

The particular contribution of the European Union is its ability to help partners work together. Harnessing Member States' and Community action will add up *to a powerful lever for change. It will open the door to using the strengths of each part of Europe to best effect. It will allow us to shape the global response to this global crisis.*

A month ago, the Commission took the initiative to set out how decisive and coordinated action could respond to the economic crisis. I am pleased to see that as national governments work to address their own situations, they have been inspired by the common principles agreed for European action. Today the Commission strengthens this platform for joint action with a Plan to contain the scale of the downturn and to stimulate demand and confidence, saving hundreds of thousands of jobs and keeping large and small businesses at work while waiting for growth to return.

The European Economic Recovery Plan has two key pillars, and one underlying principle:

– *The first pillar is a major injection of purchasing power into the economy, to boost demand and stimulate confidence. The Commission is proposing that, as a matter of urgency, Member States and the EU agree to an immediate budgetary impulse amounting to € 200 billion (1.5% of GDP), to boost demand in full respect of the Stability and Growth Pact.*

– *The second pillar rests on the need to direct short-term action to reinforce Europe's competitiveness in the long term. The Plan sets out a comprehensive programme to direct action to "smart" investment. Smart investment means investing in the right skills for tomorrow's needs; investing in energy efficiency to create jobs and save energy; investing in clean technologies to boost sectors like construction and automobiles in the low-carbon markets of the future; and investing in infrastructure and inter-connection to promote efficiency and innovation.*

– *At the same time, the ten Actions for Recovery included in the Plan will help Member States to put the right social and economic levers in place to meet today's challenge: to open up new finance for SMEs, cut administrative* *burdens and kick-start investment to modernise infrastructure. It will drive a competitive Europe ready for the low-carbon economy.*

– *The fundamental principle of this Plan is solidarity and social justice. In times of hardship, our action must be geared to help those most in need. To work to protect jobs through action on social charges. To immediately address the long-term job prospects of those losing their jobs, through the European Globalisation Adjustment Fund and an accelerated European Social Fund. To cut energy costs for the vulnerable through targeted energy efficiency. To address the needs of those who cannot yet use the internet as a tool to connect.*

I am convinced that at times of crisis, opportunities open up to accelerate change and to introduce structural reforms to make us succeed in the globalised economy of the future. This is a great opportunity for Europe.

A comprehensive and ambitious recovery plan is now on the table. The quicker we make it happen, the sooner we will bring the help needed to Europeans today.

José Manuel Durão Barroso
Brussels, 26th November 2008"

– in the introduction, on page 3, the last sentence in the third paragraph was amended to read as follows:

"*This could push the EU into a deep and longer-lasting recession: the economy contracting further next year, and unemployment could rise by several million people.*"

– in the introduction, on page 6, the first bullet point in the first paragraph was amended to read as follows:

"*An immediate budgetary impulse amounting to € 200 Bn (1.5% of EU GDP), made up of a budgetary expansion by Member States of € 170 Bn (around 1.2% of EU GDP), and EU funding in support of immediate actions of the order of*

€ 30 Bn (around 0.3 % of EU GDP)"

- in section 2.2 ("*Budgetary Policy"*), on page 7, the first sentence in the fourth paragraph was amended to read as follows:

  "In the context of national budgets for 2009, this co-ordinated budgetary impulse should be € 170 Bn, which represents 1.2% of the Union's GDP, in order to produce a substantive positive and rapid impact on the European economy and on employment, in addition to the role of the automatic stabilisers."

- in section 2.2 ("*Budgetary Policy"*), on page 7, the last sentence in the last paragraph was amended to read as follows:

  "For those Member States, in particular outside the euro area, which are facing significant external and internal imbalances, budgetary policy should essentially aim at correcting such imbalances."

- in section 2.2 ("*Budgetary Policy"*), on page 8, the third indent in the first paragraph was amended to read as follows:

  " targeted towards the source of the economic challenge (increasing unemployment, credit constrained firms/households, etc. and supporting structural reforms) as this maximises the stabilisation impact of limited budgetary resources;"

- in section 2.2 ("*Budgetary Policy"*), on page 10, the second indent in the first paragraph was amended to read as follows:

  "Addressing immediate competitiveness problems. In Member States with inflation and competitiveness problems measures need to be taken urgently that reinforce the link between the wage setting mechanism and productivity developments;"

– in section 2.3 (*"Actions in the four priority areas of the Lisbon Strategy"*), on page 10, the following sentence was added after the first sentence in the third paragraph:

  "It is equally important to provide for stable foreseeable framework conditions to boost confidence, facilitate investment and to work for least cost solutions to common problems."

– in section 2.3 (*" Actions in the four priority areas of the Lisbon Strategy"*), on page 12, the second sentence in the first paragraph was amended to read as follows:

  " At the same time these rules guarantee a level playing field, ensuring that state aids are used to support EU objectives such as R&D, innovation, ICT, transport and energy efficiency, and not to unduly distort competition by favouring particular companies or sectors."

– in section 2.3 (*" Actions in the four priority areas of the Lisbon Strategy"*), on page 13, the penultimate indent in insert 4 was amended to read as follows:

  "*Ensure that public authorities **pay invoices**, including to SMEs, for supplies and services within one month to ease liquidity constraints and accept e-invoicing as equivalent to paper invoicing (this could deliver cost reductions of up to 18 € Bn); any arrears owed by public bodies should also be settled;*"

– in section 2.3 (*"Actions in the four priority areas of the Lisbon Strategy"*), on page 13, the following sentence was added after the second sentence in the first paragraph:

  " All sectors must participate: for example, the recent decision on the CAP health check commits €3 Bn for climate-friendly investments in rural development."

– in section 2.3 (*"Actions in the four priority areas of the Lisbon Strategy"*), on page 13, the fourth sentence in the first paragraph was amended to read as follows:

" To accelerate investments, the Commission will clarify the legal framework for partnerships between the public and private sector aiming at carrying out major infrastructure and research investments, in order to facilitate this mixed mode of financing."

- in section 2.3 (*"Actions in the four priority areas of the Lisbon Strategy"*), on page 13, the last sentence in the first paragraph was deleted;

- in section 2.3 (*"Actions in the four priority areas of the Lisbon Strategy"*), on page 15, the first sentence in insert 8 was amended to read as follows:

" Member States and the private sector should increase planned investments in education and R&D (consistent with their national R&D targets) to stimulate growth and productivity."

- in the conclusion, on page 19, indent (2) was amended to read as follows:

" (2) Request the European Commission and the Council to work together to ensure that combined national and EU level measures amount to at least 1.5% of GDP;"

Subject to the inclusion of the above amendments and to a final linguistic revision, the Commission approved the communication set out in COM(2008)800/2, for transmission to Parliament, the Council, the Economic and Social Committee, the Committee of the Regions, the European Central Bank and the European Investment Bank and to the national parliaments.

10. PROPOSAL FOR A COUNCIL REGULATION AMENDING REGULATION (EC) NO 1083/2006 ON THE EUROPEAN REGIONAL DEVELOPMENT FUND, THE EUROPEAN SOCIAL FUND AND THE COHESION FUND CONCERNING CERTAIN PROVISIONS RELATING TO FINANCIAL MANAGEMENT (COM(2008)803 AND /2)

The Commission adopted the proposal for a Council Regulation set out in COM(2008)803 for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, and to the national parliaments.

11. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATION (EC) NO 1081/2006 ON THE EUROPEAN SOCIAL FUND TO EXTEND THE TYPES OF COSTS ELIGIBLE FOR A CONTRIBUTION FROM THE ESF (COM(2008)813)

The Commission adopted the proposal for a Regulation in COM(2008)813 for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, and to the national parliaments.

12. INTERINSTITUTIONAL RELATIONS

12.1. LEGISLATIVE MATTERS

i) Action to be taken on Parliament's legislative opinions
(SP(2008)6779)

The Commission decided to empower the Commission Members responsible for the sectors in question, in agreement with the PRESIDENT and

Ms WALLSTRÖM and, if necessary, with the other Members concerned, to adopt the amended proposals for transmission to Parliament and the Council, as set out in SP(2008)6779, drawn up following the November part-session of Parliament, the contents of which were noted.

ii) Codecision procedure

Preparation of agreement at first reading

– Amendment of Council Decision 2001/470/EC establishing a European Judicial Network in civil and commercial matters (Decision) – JUKNEVIČIENĖ report – 2008/0122 (COD)

The Commission authorised Mr BARROT to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in SPI(2008)105.

12.2. RELATIONS WITH THE COUNCIL

iii) Programming of Council business
(SI(2008)1378)

The Commission took note of the information in SI(2008)1378 on the programming of Council meetings between 20 November and 3 December.

iv) Adoption by the Commission of non-binding instruments at international level

– European Union-China action plan on customs cooperation as regards intellectual property

The Commission authorised Mr KOVÁCS to sign on its behalf the action plan on customs cooperation as regards intellectual property, as set out in SI(2008)1382/2, following the line set out in that note.

v) Results of the Council meeting (Economic and Financial Affairs – Budget session) (Brussels, 21 November)
(SI(2008)1381)

Ms GRYBAUSKAITĖ reported on the agreement reached on the 2009 budget at the conciliation meeting between the European Parliament, the Council and the Commission, and the "Budget" session of the Economic and Financial Affairs Council on 21 November. She was satisfied with the overall result achieved, which endorsed the various components of the Commission's initial proposal and, more specifically, with the agreement reached concerning the financing of the food facility for developing countries.

In this regard, she emphasised the need to ensure that, in future, collective responsibility was taken for the Commission's proposals from a budgetary standpoint.

However, Ms GRYBAUSKAITÉ reminded the meeting that the European Parliament still had to vote on the budget, and that the recovery plan proposed that day by the Commission would then be studied in detail from the budgetary standpoint.

She also mentioned the various statements agreed on at the meetings, which imposed a number of restrictions.

She wound up by saying that the overall result obtained was satisfactory for the time being but that it still had to be validated by the European Parliament, and asked all the Commission Members to cooperate in ensuring that the procedure was conducted smoothly.

Ms WALLSTRÖM thanked Ms GRYBAUSKAITÉ for the efficient management of the budgetary procedure, and all the Commission Members for their cooperation.

The Commission took note of this information.

vi) Results of the Council meeting (Agriculture and Fisheries) (Brussels, 18 – 20 November)
(SI(2008)1380)

Ms FISCHER BOEL reported on the outcome of the negotiations on the health check of the Common Agricultural Policy carried out at the last meeting of the Agriculture and Fisheries Council. There had been long and intense negotiations before a political compromise was finally reached on Thursday 20 November, supported by a very substantial majority of Member States.

She reminded the meeting briefly of the deterioration in the situation since the initiative was launched, in particular the sharp fall in prices of cereals and dairy products during that time. In this connection, she was particularly pleased that all the components of the dossier had been retained despite some reservations on the part of the Member States.

As regards the modulation rate for first-pillar aid, she said that the Commission's initial proposal of 8% had been lowered to 5%, which was however a very significant result given the positions of many Member States on this issue and the fact that the €3 million thus made available for rural development would allow the national authorities to implement specific projects concerning climate change, renewable energy, biodiversity and water management.

On the question of milk quotas, Ms FISCHER BOEL acknowledged that the discussions on this issue had been particularly difficult and that the proposal to increase the quotas by 1% a year over five years had come under much pressure from the Member States before they had finally accepted it. In this regard, she referred to the problem of prices of dairy products, pointing out that the relevant Commission departments should carefully examine price-fixing practices on the retail market.

She also referred to the success achieved on the question of gradual modulation of aid, with the agreement reached on an additional modulation rate for direct aid to bigger farms constituting an important step forward.

Lastly, with regard to the level of direct payments, Ms FISCHER BOEL spoke of the united front presented by the Member States which joined in the last wave of enlargement concerning a more equitable redistribution of payments between "old" and "new" Member States, and the difficult discussions that had been held on this matter. She explained that the compromise reached had, in particular, involved allocating only to the "new" Member States the savings made by abolishing the energy crop premium (around €90 million per annum).

Winding up, Ms FISCHER BOEL considered that the result obtained was acceptable both for the Commission and for the Member States, while emphasising that it was important now to see how the various measures were to be implemented. In any case, she considered that significant progress had been made and that the gradual phasing-out of the most obsolete and interventionist aspects of the Common Agricultural Policy was a particularly appropriate development.

Ms WALLSTRÖM, taking the floor, also expressed her satisfaction with the profound changes taking place in the agricultural sector, underlining the importance of these changes. She highlighted the success of the reform of the agricultural policy and the decisive steps taken in this regard in recent years, credit for which was due to Ms FISCHER BOEL and her departments.

The meeting briefly discussed the difficulties encountered in one Member State in particular with regard to dairy policy.

The Commission took note of this information.

12.3. RELATIONS WITH PARLIAMENT

vii) Results of the November part-session of Parliament
(SP(2008)6727; SP(2008)6729; SP(2008)6735)

The Commission took note of the information on Parliament's part-session held in Strasbourg from 17 to 20 November contained in SP(2008)6727, SP(2008)6729 and SP(2008)6735.

viii) Organisation of part-sessions in 2009 – Presence of Commission Members at Question Time in 2009
(SP(2008)6835/2)

The Commission approved SP(2008)6835/2 setting out the list of Commission Members to be present at Commission Question Time during 2009, for transmission to Parliament.

13. OTHER BUSINESS

13.1. FIRST RESULTS OF THE INQUIRY INTO THE PHARMACEUTICAL SECTOR

Ms KROES informed the Commission of the first results of the inquiry into the pharmaceutical sector launched in January 2008, following the emergence of information on innovative and generic medicines, with the aim of verifying whether there were any restrictions or distortions of competition in the sector.

Ms KROES thanked the Commissioners and the departments of Mr VERHEUGEN and Mr McCREEVY for their cooperation in preparing the dossier, with which the European Patent Office had also been associated. The results of the inquiry would be published on 28 November in a preliminary report which would take the form of a working paper by the departments for which she was responsible, and a public hearing would be held on the same day, bringing together all the participants and the Commission representatives. A public consultation would be held on the preliminary report before the end of January 2009 and it was planned to publish the final report in spring 2009.

The purpose of the report was not to identify possible infringements or unfair practices by individual undertakings, but rather to establish a factual basis enabling the Commission to decide whether or not additional measures were needed in the sector.

She explained that the preliminary report highlighted not only the importance of patents in the pharmaceutical sector but also the key role played by other practices used by producers of brand-name medicines, in particular that of patent clusters. This practice had given rise to numerous court cases between brand-name and generic medicine producers and also to a number of agreements on the settlement of disputes, some of which restricted access to the generic medicine market.

Ms KROES referred to the restrictions and delays observed with regard to access to the generic medicine market, pointing out that access to this market could contribute to a significant reduction in prices. In addition, she considered that some of the practices identified could have the effect of slowing down innovation, increasing the costs of research and development in the field of innovative medicines and delaying consumer access to these medicines.

Following this presentation, the Commission held a brief exchange of views, during which the following points, in particular, were raised:

- the need for the Commission and its departments to duly follow up the inquiry and the issues raised, for example the question of the links between patent law and the possible distortions of competition identified in the sectors studied;
- the importance of the inquiry for the Commission initiatives currently being prepared in the pharmaceuticals field;
- the importance of ensuring that the inquiry was conducted properly and that a certain code of conduct was observed.

Ms WALLSTRÖM concluded the discussion by thanking Ms KROES for her presentation. She referred to the links between this dossier and other areas of patent law outside the pharmaceutical sector, in particular with regard to innovation, research and development, and underlined the importance of monitoring this inquiry carefully within the Commission.

The Commission took note of this information.

13.2. THIRD EDITION OF THE EUROPEAN DEVELOPMENT DAYS (STRASBOURG, 15-17 NOVEMBER 2008) (SEC(2008)2929)

The Commission took note of the information note from Mr MICHEL in SEC(2008)2929.

14. TRENDS IN THE MEMBER STATES (SEC(2008)2940)

Ms WALLSTRÖM briefly presented the 26 November edition of her information note.

She highlighted in particular four topics discussed in the note – the political response to the financial crisis, the Lisbon Treaty ratification process, the plan to base Russian missiles in Kaliningrad and, finally, reactions to the recently adopted package of energy policy measures.

Regarding the financial crisis and the EU's political response, Ms WALLSTRÖM said that the note concentrated on the future role that might be expected of the Commission in 2009. A number of Representations had reported a positive reaction to the measures taken so far at European level. She also noted support among the general public for a multilateral approach, recognition that purely national responses were inappropriate and a wish to see more visible intervention by the Commission.

On the Lisbon Treaty ratification process, Ms WALLSTRÖM reported on the situation in the Czech Republic and in Ireland. She welcomed the fact that the Czech Constitutional Court had finally found the Treaty compatible with the national constitution, but she also warned of growing public dissatisfaction on this issue. As regards Ireland, the Prime Minister was due to present a solution at the December European Council.

She then raised the issue of the possible siting of Russian missiles in Kaliningrad, stressing the need to have a clearer vision of the common security architecture in Europe and of the best position to adopt, given the role Russia intended to play on the international scene – not only on the question of missiles, but also as regards capital reserves and energy security.

Finally, Ms WALLSTRÖM spoke about the reactions to the recently adopted package of energy measures. The media in most Member States supported the common goal of reducing the EU's dependence on external sources by diversifying supply, improving energy efficiency and increasing the share of renewables. She noted that Europe's dependence on Russian energy sources was a cause of concern and that certain Member States had signed bilateral agreements.

The Commission took note of this information and of Ms WALLSTRÖM's note in SEC (2008)2940.

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The meeting closed at 12.47.