EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2009)1863 final

Brussels, 25 February 2009

MINUTES

of the 1863rd meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 18 February 2009

(morning)

TABLE OF CONTENTS

<u>Single sitting</u>: Wednesday 18 February 2009 (morning)

The sitting opened at 9.07 in the Jean Monnet room with Mr BARROSO, President, in the chair.

<u>Present</u>:

Mr BARROSO	President	
Ms WALLSTRÖM	Vice-President	
Mr VERHEUGEN	Vice-President	
Mr BARROT	Vice-President	
Mr KALLAS	Vice-President	
Mr TAJANI	Vice-President	
Ms REDING		
Mr DIMAS		
Mr ALMUNIA		
Ms HÜBNER		
Mr BORG		
Ms GRYBAUSKAITĖ		
Mr POTOČNIK		
Mr FIGEL’		
Mr REHN		
Mr KOVÁCS		Items 1 to 32
Ms KROES		Items 10/32 (in part) to 35
Ms FISCHER BOEL		
Ms FERRERO-WALDNER		Items 1 to 10/32 (in part)
Mr McCREEVY		
Mr ŠPIDLA		
Ms KUNEVA		Items 1 to 10/32 (in part)
Mr ORBAN		
Ms VASSILIOU		
Baroness ASHTON		

<u>Absent</u>:

Mr MICHEL
Mr PIEBALGS

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

Mr STUCKENS	A member of Mr MICHEL's staff	Items 1 to 9
Ms PERESSO	A member of Mr MICHEL's staff	Items 10 to 35
Mr KESTERIS	A member of Mr PIEBALGS' staff	

The following also sat in:

Mr VALE DE ALMEIDA	Chef de cabinet to the PRESIDENT	
Ms DURAND	Director-General, Legal Service	
Mr SØRENSEN	Director-General, DG Communication	Points 10 à 35
Mr LAITENBERGER	Commission Spokesman	Items 10 to 35
Mr GASPAR	Acting Director-General, Bureau of European Policy Advisers	Items 8 to 35
Mr THEBAULT	Deputy Chef de cabinet to the PRESIDENT	Items 10/32 (in part) to 35
Mr CABRAL	Adviser hors classe in the PRESIDENT's office	Items 1 to 32
Ms MARTINHO	Chief adviser in the PRESIDENT’s Office	Items 10/32 (in part)
Mr THOMAS	Chef de cabinet to Mr ALMUNIA	Items 10/32 (in part)
Ms TÖRÖK	A member of Mr KOVÁCS's staff	Items 33 to 35
Mr WHELAN	Chef de cabinet to Ms KROES	Items 1 to 10/32 (in part)
Mr CHILD	Chef de cabinet to Ms FERRERO-WALDNER	Items 10/32 (in part) to 35
Mr BELL	Chef de cabinet to Ms KUNEVA	Items 10/32 (in part) to 35

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

1. AGENDAS
(OJ(2009)1863/3; SEC(2009)147/2)

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(2009)1863)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 16 February.

3. MINUTES OF 1862ND MEETING (11 FEBRUARY)
(PV(2009)1862)

The Commission approved the minutes of its 1862nd meeting.

4. INTERINSTITUTIONAL RELATIONS
(SEC(2009)146)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Friday 13 February (SEC(2009)146).

It paid particular attention to the following points.

4.1. LEGISLATIVE MATTERS

i) Codecision procedure
(point 1.2 of the IRG record)

Dossier at first reading

- Credit rating agencies (regulation) – GAUZES report – 2008/0217 (COD)

The Commission took note of the progress made in this dossier 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 SPI(2009)13/2.

ii) Preparation for the February II 2009 part-session of Parliament
(point 1.3 of the IRG record)

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 considered the following in particular:

Codecision – 1st reading

- General rules on the definition, description and presentation of aromatized wines, aromatized wine-based drinks and aromatized wine-product cocktails (Regulation – recasting) – SZÁJER report – 2007/0287 (COD)

The Commission approved the line set out in SP(2009)695.

- Crop statistics (Regulation) – JEGGLE report – 2008/0079 (COD)

The Commission approved the line set out in SP(2009)696.

Consultation

- Community legal framework for a European Research Infrastructure (ERI) (Council Regulation) – RIERA MADURELL report – 2008/0148 (CNS)

The Commission approved the line set out in SP(2009)697 and /4.

- Reduced rates of value added tax (Council Directive) – VAN DEN BURG report – 2008/0143 (CNS)

The Commission approved the line set out in SP(2009)771.

4.2. RELATIONS WITH THE COUNCIL

iii) Programming of Council business
(SI(2009)39)

The Commission took note of the information in SI(2009)39 on the Council meetings between 19 February and 4 March.

4.3. RELATIONS WITH THE EUROPEAN PARLIAMENT

iv) Action taken on Parliament's legislative opinions and non-legislative resolutions
(point 3.5.2 of the IRG record)

The Commission approved document SP(2009)693 on the action taken on Parliament's legislative opinions and non-legislative resolutions adopted at its January part-session, for transmission to Parliament.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2009)149 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 9 and 13 February.

5.2. EMPOWERMENT (SEC(2009)150 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 9 and 13 February.

5.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2009)151 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 9 and 13 February, as archived in e-Greffe.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2009)152 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 16 and 20 February and of the "finalisation" written procedures initiated following the weekly meeting of Chefs de cabinet on 16 February.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2009)148)

ADMINISTRATIVE MATTERS
(PERS(2009)25)

6.1. DG EMPLOYMENT, SOCIAL AFFAIRS AND EQUAL OPPORTUNITIES – APPOINTMENT OF AN AD13 DEPUTY DIRECTOR (PERS(2009)162)

Having noted the procedure followed as set out in point 1 of PERS(2009)25, the Commission, on a proposal from Mr KALLAS, in agreement with the

PRESIDENT and Mr ŠPIDLA, decided to appoint Ms Erika MEZGER to the post of deputy director of the European Foundation for the Improvement of Living and Working Conditions (EUROFOUND).

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

6.2. PUBLICATIONS OFFICE – EXTERNAL PUBLICATION OF VACANCY NOTICE FOR AN AD14 DIRECTOR POST (EU-8) (PERS(2009)26)

On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr ORBAN, and after endorsement by the Management Committee of the Official Publications Office of the European Communities, the Commission decided to authorise the publication, under Article 29(2) of the Staff Regulations, of the vacancy notice in PERS(2009)26 for the function of Director in the Publications & Dissemination Directorate, Official Publications Office of the European Communities, a function reserved for nationals of Bulgaria, the Czech Republic, Latvia, Lithuania, Malta, Poland, Romania and Slovakia.

This decision would take effect immediately.

7. COMMISSION COMMUNICATION TO PARLIAMENT, THE COUNCIL, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – ANNUAL POLICY STRATEGY FOR 2010 (COM(2009)73 TO /4; SEC(2009)161 TO /3; SEC(2009)162)

The Commission approved the communication in COM(2009)73/3 and /4 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and to the national parliaments.

It also took note of the annexes distributed as SEC(2009)161/3.

8. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING A EUROPEAN ASYLUM SUPPORT OFFICE (COM(2009)66 TO /4; SEC(2009)153; SEC(2009)154; SEC(2009)155; SEC(2009)156; SEC(2009)157)

Mr BARROT presented the proposal for the establishment of a regulatory office, the European Asylum Support Office. He reminded the meeting that the European Union had received in 2008 some 240 000 requests for asylum and that there were currently around 1.5 million people who had been granted international protection status within its borders. He also noted that while the average ratio of asylum-seekers in the European Union was 0.45 per 1 000 inhabitants, this figure varied greatly from one country to another, ranging from 8.69 per 1 000 inhabitants in Cyrpus to 3.97 in Sweden and 3.38 in Malta. He stressed that this high demand for asylum in certain Member States led in turn to differentiated treatment of asylum applications in different Member States, depending on the Member State and original nationality of the asylum-seeker.

He referred to the history of this dossier and underlined the support given to the Commission's initiative by the other institutions, the Member States, the United Nations High Commissioner for Refugees (HCR) and various non-governmental organisations. He explained that the European Asylum Support Office would focus on three major tasks: supporting practical cooperation on asylum, supporting Member States under particular pressure from migration and contributing to the implementation of the Common European Asylum System.

He went on to describe the structure of the European Asylum Support Office, which would be a regulatory agency without decision-making powers. Its estimated operating costs would be relatively moderate – €5 million when it came into operation in 2010 – with 24 staff members in 2010, to increase to a possible maximum of 94 once the Office was fully operational. He referred also to the composition of the Management Board, on which all the Member States would be represented, the Commission would have two votes and the HCR would have observer status, and to the role of the Consultative Forum, which would enable the HCR and interested non-governmental organisations to be associated with the Agency's work.

Mr BARROT told the meeting that, on the basis of a political agreement at the Council in 2009, the European Support Office could be established in 2010. He concluded by emphasising that this new structure would make it possible to mitigate the difficulties of the Member States which received the highest number of applications from asylum seekers.

After this presentation, the Commission held a discussion during which the following aspects in particular were raised:

– the importance and relevance of such a proposal on a sensitive issue, about which there were high expectations on the part of the Member States and European citizens;

– the appropriateness of the dual legal basis chosen, which would enable the European Parliament to be closely associated with the decision-making process and make it easier to secure political agreement in the Council;

– the importance of communicating this proposal successfully, while taking care not to raise undue expectations concerning the means available to the structure thus created;

– reiteration of the need, in asylum matters, to address the internal aspects, of which this proposal formed part, as well as external aspects.

The PRESIDENT congratulated Mr BARROT on the quality of the proposal tabled, which gave asylum policy a truly European dimension. He also pointed out that in this way asylum, immigration, justice, freedom and security policies would gradually acquire a more European structure and image, and concluded by trusting that the proposal would be speedily adopted by the interinstitutional decision-making process.

Mr BARROT added that in 2009 two proposals for the amendment of existing directives would be tabled, one on procedures in the area of asylum and the other on the qualification and status of refugees. Lastly, he considered that taken together, these proposals would enable the European Union to continue to receive refugees without reducing the level of security of European citizens.

The Commission adopted the proposal for a Regulation in COM(2009)66/4 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and to the national parliaments, accompanied by the impact assessment and the summary thereof in staff papers SEC(2009)153 and SEC(2009)154, the contents of which were noted.

It also took note of the opinion of the Impact Assessment Board on the above proposal for a Regulation, as set out in SEC(2009)155.

9. PROPOSAL FOR A DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING DECISION 573/2007/EC ESTABLISHING THE EUROPEAN REFUGEE FUND FOR THE PERIOD 2008 TO 2013 BY REMOVING FUNDING FOR CERTAIN COMMUNITY ACTIONS AND ALTERING THE LIMIT FOR FUNDING SUCH ACTIONS (COM(2009)67; SEC(2009)156; SEC(2009)157)

The Commission approved the proposal for a decision in COM(2009)67 for transmission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, and to the national parliaments.

10. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF GERMANY (2008-2012)
(SEC(2009)176 TO /3; SEC(2009)171; SEC(2009)195)

11. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF SPAIN (2008-2011)
(SEC(2009)186 TO /3; SEC(2009)172; SEC(2009)195)

12. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF FINLAND (2008-2012)
(SEC(2009)175 AND /2; SEC(2009)171; SEC(2009)195)

13. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF FRANCE (2008-2012)
(SEC(2009)181 AND /2; SEC(2009)172; SEC(2009)195)

14. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF GREECE (2008-2011)
(SEC(2009)170 AND /2; SEC(2009)172; SEC(2009)195)

15. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF

COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF IRELAND (2008-2013)
(SEC(2009)183 AND /2; SEC(2009)172; SEC(2009)195)

16. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF MALTA (2008-2011)
(SEC(2009)191; SEC(2009)172; SEC(2009)195)

17. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 5 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED STABILITY PROGRAMME OF THE NETHERLANDS (2008-2011)
(SEC(2009)169 TO /3; SEC(2009)171; SEC(2009)195)

In a general debate the Commission discussed all of the recommendations relating to the updated stability and convergence programmes, the reports on the budgetary situation – items 10 to 32 of these minutes – and the information note on the meeting of the G7 finance ministers and governors of the central banks in Rome on 13 and 14 February (see item 33.2 of these minutes) and the preparations for the spring European Council on 19 and 20 March and the G20 summit on 2 April.

Mr ALMUNIA began by presenting the series of recommendations and reports he was tabling for adoption, thanking his staff for all the work they had done in difficult circumstances. The economic situation had meant that the Member States had only been able to present the updates to their stability or convergence programme at the last minute and sometimes in several instalments.

He noted that 17 programmes had been evaluated so far, four further ones were expected to be presented to the Commission at its next meeting, and six Member States had not yet sent their programme because of a change in government or a delay due to the adoption of the national economic recovery plans.

Mr ALMUNIA said that the documents under consideration that day should be viewed in the particularly difficult context of the economic recession, which was constantly evolving and was characterised by extreme uncertainty as to the economic data, and should be evaluated in the light of the conditions laid down in December at the time of the adoption of the European economic recovery plan, which allowed for a timely, targeted and temporary fiscal stimulus. He reminded the meeting that the recovery plan sought to combine short-term incentives with the medium-term viability of public finances, while also ensuring long-term viability at a time when certain Member States were starting to go into recession. The programmes had been analysed in the light of this situation.

The examination carried out by his staff also took account of three factors with regard to the question of the application of the Stability and Growth Pact in the current climate: 1) the conclusions of the European Council last December, which confirmed that the Pact would remain the cornerstone of the Community's economic policy framework; 2) the importance, at the same time, of a judicious application of the Pact; 3) and the need for flexibility when implementing the recommendations.

Mr ALMUNIA then turned to the communication aspects relating to this package of recommendations and reports and the difficulties involved.

He stressed that the main message that had to be put across was that the application of the Pact should not be seen as a sanction, sanctions being a last resort to be used only after a long period of mistakes and not in the context of the deployment of measures to fight the recession. The role of the Pact was to exert pressure, to remind the Member States of certain limits, but also to support them, to offer assistance and help them to use their budgetary policy to best advantage; in other words it should be seen in a constructive light.

He explained that the communication effort should, at the same time, highlight the importance of maintaining the credibility of the Pact. In this respect he noted that, in the short term, the conditions prescribed for the use of fiscal stimuli by the Member States had broadly been met; the outlook for 2010 was less clear, and he stressed that the measures should continue to be targeted at the short term, the worst problems in the economy being expected in the first half of 2009. He spoke of the difficulty of devising an exit strategy for certain Member States and said that, in these cases, the recommendations emphasised the importance of consolidating public finances and adopting a budgetary strategy for the medium term.

Mr ALMUNIA then briefly summarised the different situations observed in the 17 updated programmes that had been evaluated, and the recommendations to which they gave rise:

- for Hungary and Latvia, which received balance of payments support from the European Union and support from the International Monetary Fund, the recommendations restated the conditions laid down when this support was granted;

- Ireland and Greece, which are part of the euro area and experiencing short-term difficulties , were asked to react as soon as possible by taking steps in 2009 to tackle the strong market pressure;

- France and Spain had some leeway in 2009 but would have to consolidate their public finances in 2010 because they would be the subject of excessive deficit procedures;

- in the case of Malta the excessive deficit problem was confined to 2008, so there should be no need to launch a procedure;

- in the case of the United Kingdom, which was already the subject of an excessive deficit procedure, he indicated the extent to which the projected deficit exceeded the 3% limit and said that new recommendations would have to be made as part of the ongoing procedure in order to take account of this development;

- as regards countries like Germany or Portugal and Italy (recommendations relating to the latter two countries were due to be presented to the Commission at its next meeting), he noted that they had some leeway for using their fiscal stimuli in 2009, but they too would have to take steps to consolidate their public finances once the recession was over;

– finally, the group of countries in the most favourable position – the Scandinavian countries and the Netherlands – were able to maintain their fiscal stimuli until the recession was behind them; however, he noted that in the case of the Netherlands the latest data, released the day before and predicting negative growth of -3% for 2009, would probably lead to a re-evaluation of that country's situation.

Mr ALMUNIA concluded this first part of his presentation by mentioning the reports on the budgetary situation of Spain, France, Greece, Ireland, Latvia and Malta, which would first be examined by the Economic and Finance Committee and then, if necessary, would proceed to the next stage of the excessive deficit procedure at the end of March.

Mr ALMUNIA then moved on to the information note about the meeting of the G7 finance ministers and governors of the central banks in Rome on 13 and 14 February (see item 33.2 of these minutes), which he examined in the context of the discussion on the preparations for the spring European Council and the G20 summit. He reported on the discussions which had taken place, particularly on possible solutions to the crisis on the financial markets and the need for reform of the financial systems as a pre-requisite for the success of the economic recovery plans. He noted that there had been a difference of opinion between certain G7 members and mentioned the need to strike a balance between the priority given to the treatment of impaired assets and the goal of relaunching lending activity through the banking systems. The meeting had also discussed the forthcoming G20 summit in London, and in particular the shared concern about the importance of careful preparation for this meeting and the high expectations in terms of practical results. The meeting in Berlin on 22 February for the EU Member States which were in the G20 would be particularly important for agreeing a common position and ensuring that the EU played a driving role in this process. The third main topic of discussion had been the need to increase the resources of the International Monetary Fund, which was having to support a growing number of countries affected by the crisis, and the possibility of extending its mandate to include preventing the economic recession from spreading to other countries, particularly in East-Central Europe. Finally, he noted that the question of exchange rates had not prompted any in-depth debate at that stage.

The PRESIDENT thanked Mr ALMUNIA for his presentation and stressed the importance of careful preparation of the meeting in Berlin, which he would also attend, in order to continue the dynamic launched at the Washington summit and to confirm the unity of the European Union and its driving role. He ran through the series of international meetings that were coming up, starting with the meeting in Berlin on 22 February between EU Member States which were in the G20, plus Spain and the Netherlands, in the presence of the Council Presidency, the President of the Eurogroup and the President of the European Central Bank. He mentioned the informal lunch of Heads of State and Government to be held in Brussels on 1 March. He reminded the meeting that 4 March had been set as the date for adopting the Commission's formal contribution to the spring European Council on 19 and 20 March, based in particular on the conclusions of the report of the high-level expert group on financial supervision chaired by Mr Jacques de Larosière. He urged all Commission Members to contribute actively to the preparation of this busy agenda.

He said that people had high expectations of the EU, and the Commission in particular, as regards presenting proposals for the G20 summit, and reiterated the link between the various dossiers under discussion, particularly the recommendations on the stability and convergence programmes and the evaluation of the implementation of the economic recovery plans and the issues of regulation and supervision of the financial markets. It was therefore important to produce a global response that was swift and coherent and preceded the solutions proposed by the Member States.

The Commission then held a brief exchange of views, covering the following points in particular:

Regarding the set of recommendations and reports tabled that day

- an expression of thanks to Mr ALMUNIA and his departments for their excellent work in particularly trying circumstances, in which cooperation with Member States was sometimes difficult;
- the value of this exercise and of the message it sent to the public and to the markets;
- the importance in excessive budget procedures of a common understanding of how the pact should be applied and of striking the right balance between flexibility and credibility;
- the extra challenge in some of the convergence programmes because of plans to adopt the euro;
- the unprecedented nature of some of the deficit levels recorded, which showed the markets' mistrust of budgetary stability on the part of governments, and the importance of conveying to the general public and the markets a message that strengthened the credibility of budgetary discipline;
- the key importance of the exit strategy, among other things in terms of solidarity between generations and the need to think in the long term and consider the situation after the crisis;
- the Commission's role of providing Member States with guidelines and encouraging governments' efforts to restore stability in the public finances;

Regarding the more general debate on the economic situation

- the importance of coming up with responses at European level and demonstrating the Union's capacity to act and the Commission's leading role; the importance, nevertheless, of communicating clearly the different margins for manoeuvre and levels of responsibility between the Commission and the Member States;

- the important role of the Commission to deliver a message of confidence to the public and businesses; in this context, the need to ensure effective communication on the Commission's specific proposals, in particular on the basis of the communication to be adopted on 20 February taking stock of five years of an enlarged EU;

- a reminder of the contribution of the single currency to maintaining financial stability in Europe and the importance of meeting the criteria of the Stability and Growth Pact; the importance, nevertheless, of considering the Union as a whole and conveying a message of solidarity to all 27 Member States;

- the importance for the Commission of presenting firm ideas on reforming the financial system and banking supervision and the relevance of the various proposals presented or being prepared by the Commission, particularly on rating agencies or own capital requirements;

- in this context, the value of organising an exchange of views between the Commission and Mr Jacques de Larosière following the conclusions of his group's report on banking regulation and supervision, and a meeting with the Presidents of the European Investment Bank and the European Central Bank to encourage cooperation between European institutions;

- the importance of playing a political role in the context of the G20 summit and proposing solutions in coordinated fashion; in this context, the relevance of the preparatory work and the Commission's contribution to the various working groups connected with the G20;

- questions about the outcomes expected from the G20 summit; questions too about the practical proposals expected from the Berlin meeting, particularly as regards the treatment of defaulting banks and toxic assets, the right level for these measures – national or European level – particularly as regards banking supervision, and the need to associate the institutions concerned with a code of good practice;

- questions about the role of multilateral bodies such as the G20, particularly in terms of monitoring the implementation of decisions approved by them, the benefits of highlighting the role of international financial bodies and regional organisations as a model for a multilateral response to the economic crisis, and the case for holding a meeting of international economic and financial organisations in Brussels;

- the need in the context of the G20 to take into account the situation of countries outside that group, both in Europe and on other continents;

- the importance to be attached to the question of global governance;

- the opportunity of redoubling efforts to explain the need to keep markets open and to combat protectionism, given the harmful consequences of the first contraction in world trade for several decades;

- the importance of not looking at the financial crisis in isolation from the social challenges it had thrown up and of encouraging a broad response to the economic and financial crisis; the importance in this context of the summit on jobs announced for May and the benefits to be gained from expanding its scope to cover the social impact of the crisis; the case for considering practical measures, in particular the supporting role which could be played by the Globalisation Adjustment Fund;

- the need to envisage solidarity measures between the Member States, given the fragile social situation in some of them, and of ensuring that the recovery measures did not have a negative social impact, particularly on the non-active population, and especially the retired;

- the need to emphasise the contribution that could be made by public-private partnerships despite the reluctance of certain national government departments;

- concern at the deteriorating economic situation and the risk of the crisis spreading to Eastern and East-Central Europe, and the importance of thinking now about measures to help economic stabilisation in that area, and in particular to consider budgetary support measures for Serbia in cooperation with the International Monetary Fund;

– in the Commission's communication efforts, the need to draw on specific, realistic examples in order to demonstrate the benefits of the measures taken.

In response to these comments, Mr ALMUNIA spoke about the expectations of the G20 summit in London, which included an increase in International Monetary Fund resources, a first move towards redefining the tasks of the international financial institutions, an assessment of the initial results of the implementation of the economic recovery plans and policies designed to improve the functioning of financial systems, and a strong political message drawing conclusions from the recovery measures and adopting a firm stance against protectionism of any kind. He shared the view expressed by some of his colleagues that financial institutions and international organisations should be handed a bigger role and, more generally, that reform of the Bretton Woods institutions should be pursued to improve their representativeness and governance. He acknowledged the need for the EU to show initiative and was convinced that the document to be adopted by the Commission on 4 March, for the spring European Council, would allow these proposals to be put into effect. He said that the Commission was preparing guidelines on the need to stand firm against protectionist tendencies and that Mr McCREEVY, Ms KROES and himself were drawing up a proposal on the treatment of impaired assets. He acknowledged the importance of the social dimension of the crisis and the need to consider the best ways of helping countries in East-Central Europe.

He also spelled out the next steps in the excessive deficit procedures. For five of the six countries covered by the reports, the existence of an excessive deficit would have to be confirmed by the Economic and Financial Committee and the procedure triggered at the Commission meeting on 24 March. He also mentioned briefly the timetables that would be proposed to the Member States in question to correct their excessive deficits, which should range from 2010 to 2012.

The PRESIDENT offered Mr ALMUNIA his full support for presenting these results and underlined the importance of communication efforts on this set of recommendations and reports. He stressed that this was an exceptional situation and that the excessive deficit procedure was not punitive in nature, but merely showed that the pact was still the cornerstone of Community economic policy and had to be put into effect, taking due account of the special current circumstances.

He also referred to preparations for the G20 summit in London and acknowledged the importance of a suitable format which ensured that the participating countries were sufficiently representative. This was a global crisis and he was convinced that the conclusions of the G20 had to be reflected in the functioning of international financial institutions and that these institutions needed to be strengthened. He noted the timely visit to the Commission by the Director-General of the World Trade Organisation, Mr Pascal Lamy, at the end of March and said that he intended to hold a meeting with the Director-General of the International Monetary Fund, Mr Dominique Strauss-Kahn and the President of World Bank, Mr Robert Zoellick. He would also take the initiative shortly of inviting the President of the European Investment Bank, Mr Philippe Maystadt.

He reiterated the crucial importance of combating protectionism and wanted to see the development of the concept of "protection without protectionism". He also highlighted the importance of the social dimension of the crisis, for which appropriate instruments would have to be developed, although these would remain at Member State level at this stage. He pointed out that the Commission would be meeting representatives of employers and trade unions on 25 February in order to involve them in the preparatory work for the European Council and the G20.

He invited the whole Commission to redouble its efforts to present practical proposals for the 4 March communication to be laid before the Spring European Council. He referred to the need to present before the elections at the European Parliament legislative proposals on private investment funds, speculative funds, executive pay and the treatment of depreciated assets, which were areas in which the Commission must play a leading role. He stressed the scope of the measures already taken, which had to be consistent with the fundamental principles of the EU, in particular those of the Stability and Growth Pact, the internal market, the prevention of protectionism both inside and outside the EU, the importance of the social dimension, and greater use of public-private partnerships.

He concluded by stressing once again the political importance of maintaining the unity of the EU and of helping to arrive at a consensual position, especially following the Berlin meeting. He reaffirmed his support for the Council Presidency and welcomed the excellent cooperation, which was vital to restore public confidence.

Following this exchange of views, the Commission adopted the recommendations for Council opinions concerning the updated stability programmes of Germany (2008-2012), Spain (2008-2011), Finland (2008-2012), France (2008-2012), Greece (2008-2011), Ireland (2008-2013), Malta (2008-2011) and the Netherlands (2008-2011), as set out respectively in documents SEC(2009)176/3, SEC(2009)186/3, SEC(2009)175/2, SEC(2009)181/2, SEC(2009)170/2, SEC(2009)183/2, SEC(2009)191 and SEC(2009)169/3, for transmission to the Council.

18. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 9 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF BULGARIA (2008-2011)
(SEC(2009)180 AND /2; SEC(2009)171; SEC(2009)195)

19. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH ARTICLE 9(3) OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF DENMARK (2008-2015)
(SEC(2009)187 AND /2; SEC(2009)171; SEC(2009)195)

20. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 9 OF

COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF ESTONIA (2008-2012)
(SEC(2009)193; SEC(2009)171; SEC(2009)195)

21. **COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 9 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF HUNGARY (2008-2011)**
(SEC(2009)185 TO /3; SEC(2009)171; SEC(2009)195)

22. **COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 9 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF LATVIA (2008-2011)**
(SEC(2009)192 TO /3; SEC(2009)172; SEC(2009)195)

23. **COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 9 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF POLAND (2008-2011)**
(SEC(2009)194 AND /2; SEC(2009)171; SEC(2009)195)

24. **COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH ARTICLE 9(3) OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF THE CZECH REPUBLIC (2008-2011)**
(SEC(2009)179 AND /2; SEC(2009)171; SEC(2009)195)

25. **COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 9 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF THE UNITED KINGDOM (2008/2009 –**

2013/2014)
(SEC(2009)184 AND /2; SEC(2009)171; SEC(2009)195)

26. COMMISSION RECOMMENDATION FOR A COUNCIL OPINION IN ACCORDANCE WITH THE THIRD PARAGRAPH OF ARTICLE 9 OF COUNCIL REGULATION (EC) 1466/97 ON THE UPDATED CONVERGENCE PROGRAMME OF SWEDEN (2008-2011)
(SEC(2009)188 AND /2; SEC(2009)171; SEC(2009)195)

The Commission adopted the recommendations for Council opinions on the updated convergence programmes of Bulgaria (2008-2011), Denmark (2008-2015), Estonia (2008-2012), Hungary (2008-2011), Latvia (2008-2011), Poland (2008-2011), the Czech Republic (2008-2011), the United Kingdom (2008/2009 – 2013/2014) and Sweden (2008-2011), as set out respectively in documents SEC(2009)180/2, SEC(2009)187/2, SEC(2009)193, SEC(2009)185/3, SEC(2009)192/3, SEC(2009)194/2, SEC(2009)179/2, SEC(2009)184/2 and SEC(2009)188/2, for transmission to the Council.

27. COMMISSION REPORT, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE EC TREATY, ON THE BUDGETARY SITUATION IN SPAIN
(SEC(2009)198 AND /2; SEC(2009)173; SEC(2009)195)

28. COMMISSION REPORT, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE EC TREATY, ON THE BUDGETARY SITUATION IN FRANCE
(SEC(2009)190 TO /3; SEC(2009)173; SEC(2009)195)

29. COMMISSION REPORT, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE EC TREATY, ON THE BUDGETARY

SITUATION IN GREECE
(SEC(2009)197 AND /2; SEC(2009)173; SEC(2009)195)

30. COMMISSION REPORT, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE EC TREATY, ON THE BUDGETARY SITUATION IN IRELAND
(SEC(2009)182 AND /2; SEC(2009)173; SEC(2009)195)

31. COMMISSION REPORT, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE EC TREATY, ON THE BUDGETARY SITUATION IN LATVIA
(SEC(2009)189 AND /2; SEC(2009)173; SEC(2009)195)

32. COMMISSION REPORT, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE EC TREATY, ON THE BUDGETARY SITUATION IN MALTA
(SEC(2009)196 AND /2; SEC(2009)173; SEC(2009)195)

The Commission adopted the reports on the budgetary situation in Spain, France, Greece, Ireland, Latvia and Malta, respectively contained in documents SEC(2009)198/2, SEC(2009)190/3, SEC(2009)197/2, SEC(2009)182/2, SEC(2009)189/2 and SEC(2009)196/2, and decided to forward them to the Council for examination by the Economic and Financial Committee.

33. RELATIONS WITH NON-MEMBER COUNTRIES

33.1. SITUATION IN SERBIA

Mr REHN reported to the Commission on his visit to Belgrade on 12 February, since the situation in Serbia and relations with the Western Balkan countries were on the agenda for both the meeting of the Permanent

Representatives Committee (COREPER) of 18 February and the working lunch of the Council meeting (General affairs and external relations) of 23 and 24 February.

He began by outlining the economic situation in Serbia, which seemed to have been hit hard by the global crisis as well as having to cope with other problems of a structural nature. Returning to the subject of his visit to Belgrade, he reported to the Commission on his meetings with Serbia's President Boris Tadić, Prime Minister Mirko Cvetković, Mr Božidar Đjelić, the Deputy Prime Minister responsible for European integration, and representatives of parliamentary groups.

Mr REHN stressed that he had conveyed to Serbia's government and representatives a message of solidarity and encouragement in what were particularly trying times for the country and informed the country's representatives of the work under way at the Commission with a view to examining the possibility of budget support. He said that other key issues had also been addressed during the meetings, including the energy crisis and visa liberalisation, which could well take place in the course of 2009. He thanked Mr BARROT and the departments involved for the excellent cooperation that had prevailed throughout the work on visa liberalisation.

Though cooperation between the European Union and Serbia in a number of areas was heading in the right direction, Mr REHN felt there was still a long way to go before the Stabilisation and Association Agreement could be ratified and the Interim Association Agreement could enter into force; he had therefore advised Mr Boris Tadić against moves towards applying for accession at this stage.

He explained that he had reiterated to Serbia's representatives that the Stabilisation and Association Agreement and the Interim Association Agreement were strictly conditional on compliance with the demands of the International Criminal Tribunal for the Former Yugoslavia, emphasising that the Interim Agreement was unlikely to enter into force before June, unless

Serbia complied with the Tribunal's conditions, as had been confirmed at a meeting between Mr REHN and Mr Serge Brammertz, Prosecutor of the Hague Tribunal.

The PRESIDENT thanked Mr REHN for this information. He noted the Commission's support for the approach to Serbia, reaffirming the principle of conditionality but also the importance of developing Serbia's European prospects and the message of encouragement that the Commission wanted to give this country and its representatives.

The Commission took note of this information.

33.2. MEETING OF G7 FINANCE MINISTERS (ROME, 13 AND 14 FEBRUARY) *(SEC(2009)222)*

The Commission took note of the information note from Mr ALMUNIA in SEC(2009)222 (see items 10 to 32 of these minutes).

33.3. VISIT TO LIBYA AND PROGRESS OF NEGOTIATIONS ON THE FRAMEWORK AGREEMENT BETWEEN THE EUROPEAN UNION AND LIBYA (TRIPOLI, 9 AND 10 FEBRUARY) *(SEC(2009)224)*

The Commission took note of the information note from Ms FERRERO-WALDNER, distributed as SEC(2009)224.

34. TRENDS IN THE MEMBER STATES (SEC(2009)223)

Ms WALLSTRÖM briefly presented the February edition of her report on current trends. She began by drawing attention to two topics: reactions to the economic crisis in the Member States and perceptions of the Community strategy to combat climate change.

As regards reactions to the economic crisis, Ms WALLSTRÖM noted that it was beginning to have a major effect on businesses and households, causing deep public concern as well as increasing the likelihood of social conflict in the Member States and eliciting a certain tendency to look for national solutions. This posed a major challenge for all players involved, and in particular for the Commission, which would have to build up its communication strategy in order to counter protectionist tendencies and emphasise the point that a Community approach was the only effective and sustainable response to the present crisis.

Ms WALLSTRÖM then outlined the results of a survey carried out by representations in the Member States and EU delegations in certain non-member countries regarding public attitudes to the fight against climate change and preparations for the international conference to be held in Copenhagen at the end of 2009. She reported that, because public and media attention was focused on the state of the economy, climate change appeared to arouse much less interest. However, policy options based on annual economic growth of 2% between now and 2020 – which in the present circumstances no longer appeared realistic – had attracted a certain amount of attention. As regards non-member countries, she noted more openness to the climate protection agenda in some of them but also a somewhat critical attitude in others. She felt that the Commission should pursue its efforts to highlight the considerable positive impact of measures taken against climate change in relaunching the economy not only in the EU but also throughout non-EU countries.

She ended by reporting on the outcome of two recent Eurobarometer surveys on the introduction of the euro in Slovakia and on flexicurity.

This was the first survey to be conducted on the situation in Slovakia and public satisfaction with the new currency since the euro was introduced on 1 January and it revealed a very positive view of the switchover; no major problems had been raised and very few concerns expressed regarding the risk of inflation. Ms WALLSTRÖM was pleased that the public had judged the amount of information provided during the transitional period to be sufficient and that the conversion rate did not appear to have posed problems to consumers.

Turning to the survey on flexicurity, Ms WALLSTRÖM explained that, although certain differences had emerged between Member States, particularly in people's assessment of the prospects of retaining their job or finding a new one following redundancy, the survey also revealed a fairly high degree of employment mobility, flexibility and experience in changing jobs.

The Commission took note of this information and of Ms WALLSTRÖM's note SEC(2009)223.

35. OTHER BUSINESS

35.1. CYPRUS SETTLEMENT TALKS (SEC(2009)226)

The Commission took note of the information note from the PRESIDENT, in agreement with Mr REHN, distributed as SEC(2009)226, and in particular the PRESIDENT's decision to set up a Steering Group of Commission Members for the Cyprus Settlement Process.

35.2. AD HOC *EMPOWERMENT CONCERNING THE CONTRIBUTION FROM THE COMMUNITY BUDGET TO IMPLEMENTATION OF THE EUROPEAN ECONOMIC RECOVERY PLAN*

The PRESIDENT took the floor to speak about the Commission's proposal to mobilise EUR 5 billion from the Community budget as part of the European economic recovery plan, which would provide a tangible and visible contribution in strategic areas to support specific projects on energy security, new technologies and high-speed internet provision.

In the discussions in the Council, some Member States wanted to add new projects to the list proposed by the Commission. He felt that this was good news, as it meant that a large number of projects could be developed, thereby helping to improve the EU's energy security and independence. It would not be possible to meet all the additional requests under this initiative, but the Commission would have to show a degree of flexibility and accept certain amendments to its initial proposal.

In the light of the above considerations, the Commission decided to empower the PRESIDENT, in agreement with Ms GRYBAUSKAITĖ, Ms FISCHER BOEL and Mr PIEBALGS, to pursue and complete, together with the Council Presidency, the negotiations in progress on the adoption of a compromise on the Commission proposal to mobilise the Community budget for certain projects as part of the European economic recovery plan, so that the projects in question could be put into effect as quickly as possible.

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The meeting closed at 11.55.