



EUROPEAN COMMISSION

SECRETARIAT-GENERAL

**PV(2009) 1889 final**

Strasbourg, 20 October 2009

**MINUTES**  
**of the 1889th meeting of the Commission**  
**held in Brussels**  
**(Berlaymont)**  
**on Wednesday 7 October 2009**  
**(morning)**

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**PV(2009)1889 final**

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**Single sitting: Wednesday 7 October 2009 (morning)**

The sitting opened at 9.49 in the Jean Monnet room with Mr BARROSO, President, in the chair. The discussion of item 20 (in part) was chaired by Mr VERHEUGEN.

**Present:**

|                    |                |                                 |
|--------------------|----------------|---------------------------------|
| Mr BARROSO         | President      | Items 1 to 20 (in part)         |
| Ms WALLSTRÖM       | Vice-President | Items 1 to 18                   |
| Mr VERHEUGEN       | Vice-President |                                 |
| Mr BARROT          | Vice-President | Items 17 to 20 (in part)        |
| Mr KALLAS          | Vice-President | Items 1 to 20 (in part)         |
| Mr TAJANI          | Vice-President |                                 |
| Ms REDING          |                | Items 1 to 18                   |
| Mr DIMAS           |                |                                 |
| Mr ALMUNIA         |                |                                 |
| Mr BORG            |                |                                 |
| Mr POTOČNIK        |                | Items 1 to 18, and 20 (in part) |
| Mr REHN            |                |                                 |
| Mr KOVÁCS          |                |                                 |
| Ms KROES           |                | Item 17                         |
| Ms FISCHER BOEL    |                |                                 |
| Ms FERRERO-WALDNER |                | Items 1 to 17                   |
| Mr McCREEVY        |                | Item 17                         |
| Mr ŠPIDLA          |                |                                 |
| Mr PIEBALGS        |                | Items 1 to 18                   |
| Ms KUNEVA          |                | Items 1 to 20 (in part)         |
| Mr ORBAN           |                |                                 |
| Ms VASSILIOU       |                | Items 1 to 20 (in part)         |
| Baroness ASHTON    |                |                                 |
| Mr ŠEMETA          |                |                                 |
| Mr SAMECKI         |                |                                 |
| Mr DE GUCHT        |                |                                 |
| Mr ŠEFČOVIČ        |                |                                 |

The following also sat in:

|                      |                                                   |                         |
|----------------------|---------------------------------------------------|-------------------------|
| Mr VALE DE ALMEIDA   | Chef de cabinet to the PRESIDENT                  | Items 1 to 20 (in part) |
| Mr ROMERO REQUENA    | Director-General, Legal Service                   |                         |
| Mr SØRENSEN          | Director-General, DG Communication                |                         |
| Mr LAITENBERGER      | Commission Spokesman                              | Items 1 to 20 (in part) |
| Mr CONDOMINES BERAUD | Bureau of European Policy Advisers                |                         |
| Mr THEBAULT          | Deputy Chef de cabinet to the PRESIDENT           | Item 17                 |
| Mr BALDWIN           | Adviser in the PRESIDENT's Office                 | Items 17 and 18         |
| Mr LEFFLER           | Chef de cabinet to Ms WALLSTRÖM                   | Items 19 and 20         |
| Mr GARCÍA SÁNCHEZ    | A member of Mr KOVÁCS's staff                     | Item 17 (in part)       |
| Mr GARCÍA PORRAS     | A member of Mr PIEBALGS's staff                   | Item 18                 |
| Mr MORRISON          | Chef de cabinet to Baroness ASHTON                | Items 1 to 18           |
| Ms AHRENKILDE        | DG Communication – Commission Spokesman's Service | Item 17 (in part)       |

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

(7 October 2009)

The PRESIDENT warmly welcomed Mr Maroš ŠEFČOVIČ, the new Commission Member appointed to replace Mr FIGEL’.

Introducing Mr ŠEFČOVIČ, the PRESIDENT mentioned his qualities and experience in European affairs and said he was sure that he would make an effective contribution to the objectives of the present Commission.

The PRESIDENT wished Mr ŠEFČOVIČ every success in the performance of his new duties.

\* \* \*

# **1. AGENDAS**

**(OJ(2009)1889/3; SEC(2009)1283/2)**

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)1889)**

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

# **3. MINUTES OF 1888th MEETING (30 September)**

**(PV(2009)1888 AND /2)**

The Commission approved the minutes of its 1888th meeting.

#### **4. INTERINSTITUTIONAL RELATIONS**

**(SEC(2009)1289)**

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Friday 2 October (SEC(2009)1289).

It paid particular attention to the following points.

##### **4.1. LEGISLATIVE MATTERS**

###### **i) Preparation for October I part-session of Parliament**

(point 1.3 of the IRG record)

###### Consultation

- Prevention and settlement of conflicts of exercise of jurisdiction in criminal proceedings (Framework Decision) – WEBER report – 2009/0802 (CNS)

The Commission approved the line set out in SP(2009)4185 and /2.

###### **ii) Preparations for the Transport, Telecommunications and Energy Council (Brussels, 9 October)**

(point 1.4 of the IRG record)

- Rights of passengers when travelling by sea and inland waterway and cooperation between national authorities responsible for the enforcement of consumer protection laws (Regulation) – TEYCHENNÉ report – 2008/0246 (COD)

The Commission authorised Mr TAJANI to support a Presidency compromise with a view to reaching political agreement on a common position at the Council meeting (Transport, Telecommunications and Energy) on 9 October, following the line set out in SI(2009)226/3.

**iii) Preparations for the Agriculture and Fisheries Council  
(Luxembourg, 19 and 20 October)**  
(point 1.5 of the IRG record)

- Community control system for ensuring compliance with the rules of the Common Fisheries Policy (Council Regulation) – ROMEVA I RUEDA report – 2008/0216 (CNS)

The Commission authorised Mr BORG to support a Presidency compromise with a view to reaching agreement at the Council meeting (Agriculture and Fisheries) on 19 and 20 October, following the line set out in SI(2009)219/3.

**4.2. RELATIONS WITH THE COUNCIL**

**iv) Programming of Council business**  
(SI(2009)233)

The Commission took note of the information in SI(2009)233 on the Council meetings between 8 and 21 October.

**v) Informal meeting of Economic and Financial Affairs Ministers  
(Gothenburg, 1 and 2 October)**  
(SEC(2009)1349)

The Commission took note of the information note from Mr ALMUNIA, Mr McCREEVY and Ms KOVÁCS, distributed as SEC(2009)1349.

**vi) Draft Council Decision on the security rules for protecting EU  
classified information**  
(point 2.4 of the IRG record)

The Commission approved the approach set out in SI(2009)227/2.

- vii) Amendment of Regulation (EC) 1083/2006 on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as regards simplification of certain requirements and as regards certain provisions relating to financial management (Council Regulation) – 2009/0107 (AVC)**  
(point 2.5 of the IRG record)

The Commission approved the approach set out in SI(2009)231.

#### **4.3. RELATIONS WITH PARLIAMENT**

- viii) Presence of Members of the Commission at Question Time during Parliament's November 2009 part-session**  
(point 3.4 of the IRG record)

The Commission approved document SP(2008)3953 setting out the list of Commission Members to be present at Question Time during Parliament's November 2009 part-session, for transmission to Parliament.

- ix) 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)4189 on the action taken on Parliament's legislative opinions and non-legislative resolutions adopted at its September part-session, for transmission to Parliament.

**5. ADMINISTRATIVE AND BUDGETARY MATTERS**  
**(SEC(2009) 1284)**

**ADMINISTRATIVE MATTERS**  
**(PERS(2009) 116)**

**5.1. EUROPEAN ANTI-FRAUD OFFICE – REQUEST FOR AN  
EXEMPTION FROM RETIREMENT AGE FOR AN AD16 OFFICIAL**

Having taken note of the information set out in point 1 of PERS(2009) 116, and in particular the request for an exemption from the retirement age of 65 submitted by Mr Franz-Hermann BRUENER, AD16 official and currently Director-General of the European Anti-Fraud Office, the Commission decided to set Mr BRUENER's retirement date at no later than 28 February 2011.

This decision would take effect immediately.

**5.2. DG ENLARGEMENT – APPOINTMENT OF AD14/15 DIRECTOR**  
**(PERS(2009)138 TO /7)**

The Commission had before it the list of applications under Article 29(1)(a)(i) and (iii) and Article 29(2) of the Staff Regulations for the post of Director, Financial Instruments and Regional Programmes, in the Directorate-General for Enlargement (PERS(2009)138, /2, /3, /4 and /7).

The Commission took note of the opinions of the Consultative Committee on Appointments of 22 June and 2 July 2009 (PERS(2009)138/5 and /6).

It proceeded to compare the applicants' qualifications for the post. On a proposal from Mr KALLAS, in agreement with the PRESIDENT and Mr REHN, it then decided to appoint Mr Patrick CHILD to the vacant post.

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

**6. DECISION BY THE COMMISSION PRESIDENT ON THE ORGANISATION OF RESPONSIBILITIES OF THE MEMBERS OF THE COMMISSION**

**(C(2009)7700)**

The Commission had before it a memorandum from the PRESIDENT, distributed as C(2009)7700, and accordingly:

- took note of the change in the allocation of portfolios decided on by the PRESIDENT, as set out in C(2009)7700;
- took note of the departments falling under the responsibility of the Commission Member concerned by the portfolio change, the details of which were set out in the annex to the PRESIDENT's decision in C(2009)7700;
- took note of the order of precedence among the Members of the Commission, as established by the PRESIDENT and set out in C(2009)7700.

**7. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF GERMANY**

**(SEC(2009)1270 AND /2; SEC(2009)1277; SEC(2009)1281)**

**8. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF AUSTRIA**

**(SEC(2009)1267 AND /2; SEC(2009)1277; SEC(2009)1281)**

**9. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF BELGIUM**

**(SEC(2009)1268 AND /2; SEC(2009)1277; SEC(2009)1281)**

- 10. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF ITALY**  
(SEC(2009)1271 TO /3; SEC(2009)1277; SEC(2009)1281)
- 11. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF THE NETHERLANDS**  
(SEC(2009)1273 AND /2; SEC(2009)1277; SEC(2009)1281)
- 12. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF PORTUGAL**  
(SEC(2009)1274 AND /2; SEC(2009)1277; SEC(2009)1281)
- 13. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF SLOVAKIA**  
(SEC(2009)1276 AND /2; SEC(2009)1277; SEC(2009)1281)
- 14. REPORT FROM THE COMMISSION, PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY, ON THE BUDGETARY SITUATION OF SLOVENIA**  
(SEC(2009)1275 AND /2; SEC(2009)1277; SEC(2009)1281)
- 15. REPORT FROM THE COMMISSION PREPARED IN ACCORDANCE WITH ARTICLE 104(3) OF THE TREATY ON THE BUDGETARY SITUATION OF THE CZECH REPUBLIC**  
(SEC(2009)1269 AND /2; SEC(2009)1277; SEC(2009)1281)

The Commission adopted the reports on the budgetary situation of Austria, Belgium, Czech Republic, Germany, Italy, the Netherlands, Portugal, Slovakia and

Slovenia set out respectively in SEC(2009)1267/2, SEC(2009)1268/2, SEC(2009)1269/2, SEC(2009)1270/2, SEC(2009)1271/3, SEC(2009)1273/2, SEC(2009)1274/2, SEC(2009)1276/2 and SEC(2009)1275/2 and, and decided to forward them to the Council for examination by the Economic and Financial Committee.

**16. COMMISSION DECISION ON A PROCEEDING UNDER ARTICLE 81 OF THE EC TREATY AND ARTICLE 53 OF THE EEA AGREEMENT (CASE COMP/39.129 – POWER TRANSFORMERS)  
(C(2009)7601 TO /8; SEC(2009)1331)**

The Commission:

- took note of the opinions of the Advisory Committee on Restrictive Practices and Dominant Positions of 18 September and 2 October in C(2009)7601/3 and /6;
- took note of the final report of the Hearing Officer of 5 October in C(2009)7601/7;
- adopted, in the authentic languages (English and French), the decision set out in C(2009)7601/8 finding that the undertakings to which the decision was addressed had infringed Article 81 of the EC Treaty and Article 53 of the Agreement on the European Economic Area and imposing fines on some of these undertakings totalling €67 644 000;
- decided that the decision in C(2009)7601/8 would be notified to the undertakings concerned, together with the final report of the Hearing Officer;
- decided that the key parts of the Decision, together with the Advisory Committee's opinions and the Hearing Officer's final report, would be published in the official languages of the Union in the *Official Journal of the European Union* (with business secrets and other confidential information removed);

- decided also to publish the decision on the internet (with business secrets and other confidential information removed).

## **17. RELATIONS WITH NON-MEMBER COUNTRIES**

### ***17.1. NEGOTIATIONS WITH THE REPUBLIC OF KOREA: A NEW FRAMEWORK AGREEMENT AND A FREE-TRADE AGREEMENT (SEC(2009)1351)***

Baroness ASHTON briefed the Commission on the negotiations on a free-trade agreement with the Republic of Korea. The negotiations had now been completed and the draft agreement was ready to initial. The Council's Article 133 committee had examined the outcome of the negotiations, which had secured broad support from the Member States. She thanked Ms FERRERO-WALDNER and Ms FISCHER BOEL and the other Members of the Commission who had been involved in the process.

She noted that every agreement was ultimately based on a compromise and felt that European interests had been properly protected in the negotiations with South Korea, which was an important trading partner.

She summed up the results in three major sections of the negotiations: services, agricultural products and manufactures. She mentioned the significant tariff reductions that had been achieved, particularly in agriculture and manufacturing, the potential benefits of the agreement for European exporters, and the progress made in several sectors of key importance to the European Union.

Turning to the specific case of the car industry, Baroness ASHTON highlighted the special mechanisms provided for in the agreement which should help to safeguard European interests. She referred in this connection to (a) the five-year transition period during which the Commission would be able temporarily to reinstate the original rate of duty if the increase in the

volume of imports from Korea threatened the interests of European producers; (b) the rules on origin, where the maximum permissible foreign content in cars would be limited to 45%; and (c) the special clause allowing a cap of 5% to be imposed on refundable customs duties in the case of goods imported and then re-exported ("duty drawback"). These aspects would be monitored particularly closely by the Commission.

In her view the draft agreement, which should be viewed as a whole, struck the right balance and broadly took account of the European Union's expectations and interests. She described it as a trade agreement for the 21<sup>st</sup> century and said that the outcome demonstrated Europe's ability to negotiate and conclude ambitious free-trade agreements, thus contributing to the economic recovery and job creation in the European Union.

Finally, Baroness ASHTON acknowledged that in future her department and the other Commission departments involved, particularly those under the responsibility of Mr KOVÁCS, would have to cooperate more closely and more intensively on these issues.

Ms FERRERO-WALDNER spoke about the prospects for a new framework agreement between the European Union and the Republic of Korea. She explained the legal relation between this agreement and the free-trade agreement and the distinct character of the framework agreement, which aimed to forge a broad strategic partnership and represented the first contractual link of its kind with a developed country.

In addition to the economic dimension she mentioned cooperation on tax matters and in the field of justice, freedom and security, as well as global issues, such as tackling climate change, energy security, human rights and non-proliferation, which were the subject of specific clauses in the agreement.

She too felt the results achieved in the negotiations were balanced and agreed that the safeguard mechanisms in the field of trade were sufficient to protect the EU's interests. Finally, on a general level she stressed the importance of

the free-trade agreements for opening up markets and promoting growth at global level.

Ms FISCHER BOEL completed the presentation by citing the advantages of the draft free-trade agreement for European agricultural exports. She expressed her support for the draft agreement, which she felt was balanced, and underlined the need to conclude the process quickly.

In the course of the exchange of views that followed Members raised the following points in particular:

- broad support for the draft free-trade agreement, which was felt to be balanced, and an acknowledgement of its importance for the EU's external relations, both politically and economically;
- access to a major market represented significant progress;
- the signals this sent out from the EU in favour of open world markets at a time of economic crisis when there was a danger that protectionist tendencies might emerge;
- a recognition through this free-trade agreement of the trade openings and potentially significant benefits for the European economy;
- the social dimension of trade policy; the link between free-trade agreements and the response to the economic crisis and the importance of safeguards to prevent potential imbalances and preserve competitiveness and jobs in Europe;
- satisfaction at the inclusion in the draft free-trade agreement of provisions on subsidies, transparency and state aid, but also on the protection of intellectual property rights; it was also pointed out that this was the first time such an agreement had mentioned the film industry;
- some questions about shipbuilding, the textile industry and the car industry and the application of the duty drawback system; the importance

here of closely monitoring the implementation of the agreement and the need in this instance but also in future free-trade agreements for safeguard clauses and for a general discussion of these issues;

- finally, the desire for closer cooperation between the departments concerned when negotiating such free-trade agreements.

The PRESIDENT wound up the discussion by thanking the Members of the Commission directly involved in the negotiations. He stressed the importance of this free-trade agreement with Korea and the fact that it had been possible to strike a balance overall.

He agreed that careful monitoring of the implementation of the agreement would be needed and confirmed the need for close cooperation in negotiations of this kind between the Commission departments most directly concerned, particularly on matters such as the duty drawback system. He therefore called on DG Trade and DG Taxation and Customs Union, under Baroness ASHTON and Mr KOVÁCS respectively, to start thinking about this issue immediately and draw their ideas together in a joint document to be presented to the Commission in the next few months.

Finally, he noted the Commission's support for the outcome of the negotiations and its endorsement of the draft free-trade agreement, and asked Baroness ASHTON to initial it on the Commission's behalf on 15 October.

The Commission took note of the joint information note by Baroness ASHTON and Ms FERRERO-WALDNER in SEC(2009)1351.

**17.2. MEETING OF G7 FINANCE MINISTERS AND ANNUAL MEETINGS OF THE IMF AND WORLD BANK (ISTANBUL, 2 AND 3 OCTOBER)  
(SEC(2009)1346)**

The Commission took note of the information note by Mr ALMUNIA in SEC(2009)1346.

**18. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS - INVESTING IN THE DEVELOPMENT OF LOW CARBON TECHNOLOGIES (SET PLAN)**

**(COM(2009)519 TO /4 ; SEC(2009)1295 AND /2; SEC(2009)1296; SEC(2009)1297 AND /2; SEC(2009)1298; SEC(2009)1299; SEC(2009)1300)**

Mr PIEBALGS and Mr POTOČNIK briefly presented the Communication they were tabling together with Mr ALMUNIA. They both emphasised that by promoting a low-carbon economy, this initiative would contribute to achieving the EU's 2020 energy and climate targets.

During the discussion that followed this presentation, it was noted that technological development led to social progress and that the social partners should be involved in this process. Mention was also made of the budgetary aspects of the Communication; in addition to the investments by the private sector or the Member State budgets, in the future the Commission would have to make an in-depth study of the appropriate Community instruments for implementing the proposed actions. Also discussed were the significant investments made in this area each year in research and technological development, particular under public-private partnerships.

The PRESIDENT concluded the discussion by pointing out that innovation and investment in technology would be priorities for the next Commission and that the European Union must appropriate adequate resources to this area, matching or even exceeding those committed by the US and Japan.

The Commission approved the Communication in COM(2009) 519/4 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, together with the roadmap, the report on investment in the priority technologies of the SET Plan, the impact assessment and the related summary in staff papers SEC(2009)1295/2, SEC(2009)1296, SEC(2009)1297/2 and

SEC(2009)1298, the contents of which were noted.

It also took note of the opinion of the Impact Assessment Board on the aforementioned communication, as set out in SEC(2009)1299.

The Commission took the opportunity to discuss preparations for the Copenhagen conference on climate change and the challenges involved, in particular the level of ambition of the objectives and the question of the financial participation of the industrialised countries, the emerging economies and the developing economies in the fight against climate change, and the positions of all these countries on this issue.

The PRESIDENT pointed out the importance for the European Union of reaching an ambitious overall agreement at Copenhagen, which should remain its key objective and could if necessary be implemented gradually. He stressed that the Commission must step up contacts with the European Union's partner countries, without however underestimating the political and economic constraints and difficulties facing some of them. He wound up this exchange of views by highlighting the high level of ambition and pragmatism that had characterised the Union's activities and message up to now, which should be maintained in the run-up to Copenhagen and after.

## **19. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS**

### ***19.1. WRITTEN PROCEDURES APPROVED***

***(SEC(2009)1285 ET SEQ.)***

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 28 September and 2 October.

**19.2. EMPOWERMENT**

**(SEC(2009)1286 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 28 September and 2 October.

**19.3. DELEGATION AND SUBDELEGATION OF POWERS**

**(SEC(2009)1287 ET SEQ.)**

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 28 September and 2 October, as archived in e-Greffe.

**19.4. SENSITIVE WRITTEN PROCEDURES**

**(SEC(2009)1288 AND /2)**

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

**19.5. PROPOSAL FOR A DECISION OF THE COUNCIL AND OF THE COMMISSION ON THE COMMUNITY POSITION WITHIN THE STABILISATION AND ASSOCIATION COUNCIL ON THE TRANSITION TO THE SECOND STAGE OF THE ASSOCIATION BETWEEN THE EUROPEAN COMMUNITIES AND THEIR MEMBER STATES, OF THE ONE PART, AND THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA, OF THE OTHER PART, PURSUANT TO ARTICLE 5 OF THE STABILISATION AND ASSOCIATION AGREEMENT – FORMER WRITTEN PROCEDURE PE/2009/4344**

**(COM(2009)280 TO /3)**

After Mr REHN had explained a technical point relating to procedure, the Commission adopted the proposal for a Decision of the Council and of the Commission in COM(2009)280, for transmission to the Council.

**20. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, THE COMMITTEE OF THE REGIONS AND THE EUROPEAN CENTRAL BANK – ANNUAL STATEMENT ON THE EURO AREA 2009**

**(COM(2009)527 TO /4; SEC(2009)1313 AND /2; SEC(2009)1314)**

In parallel with the annual statement on the euro area for 2009 and the reports on the budgetary situation of certain Member States (items 7 to 15 of these minutes), Mr ALMUNIA described the state of play in implementing the Stability and Growth Pact, particularly in relation to budgetary supervision and the strategies for exiting the current economic crisis.

Mr ALMUNIA gave this progress report using a Powerpoint presentation and referred to data from the International Monetary Fund (IMF) showing on the one hand an improvement in exports, industrial output and – to a lesser degree – consumer confidence, and on the other, a sharp deterioration in the unemployment figures. He concluded from this that, although positive signs of economic recovery were visible, the effects on employment were still serious and represented the main challenge for 2010. The threats to financial stability were receding, particularly as regards credit and the emerging markets, while the monetary and financial conditions and the return of a certain appetite for risk provided evidence of improvement.

Reporting on a number of recent meetings, in particular the informal meeting of Heads of State or Government on 17 September, the G20 Summit in Pittsburgh on 24 and 25 September, the informal meeting of European Economic and Financial Affairs Ministers on 1 and 2 October, and the meeting of G7 Finance Ministers and the IMF in Istanbul from 2 to 4 October, Mr ALMUNIA noted that there was broad consensus on the strategies for exiting the crisis, and in particular that these strategies had to be defined now but should be put into effect in a coordinated fashion as soon as recovery had begun, taking into account each country's specific circumstances.

He also noted a very broad consensus on what the three key components of these exit strategies should be: (1) the coordinated withdrawal of fiscal stimulus measures; (2) a reversal of the trend towards indebtedness, applying in particular the instruments and principles of the Stability and Growth Pact; and (3) the stepping-up of structural reforms that contributed to growth. He rejected any idea of choosing between short-term fiscal expansion and lasting consolidation in the long term, arguing instead for the use of the Stability and Growth Pact as a framework that was well-suited to the present situation, particularly as a result of the flexibility arrangements introduced in the 2005 revision. These arrangements covered both the deadlines for complying with recommendations and the evaluation of compliance and were generally designed to introduce a more rational and flexible approach, in view of the current economic crisis. However, the price of this short-term flexibility was more demanding medium-term recommendations and objectives, particularly as regards structural adjustment, and in the long term closer attention would have to be paid to the viability of public finances; a compounding factor here was the ageing of the population, which would pose a major challenge over the next two decades.

Mr ALMUNIA then outlined the next steps to be taken in the excessive deficit procedures, following the adoption that day of nine reports and the evaluation of the measures taken in response to previous recommendations. The report on the viability of public finances should be submitted to the Commission at its next meeting and conclusions on the exit strategies should be adopted by the Economic and Financial Affairs Council on 20 October and possibly by the European Council on 29 and 30 October. He added that the autumn economic forecasts for 2009-2011 and the conclusions of the next G20 summit in November on a framework for sustainable growth should form a sound basis for adopting recommendations to Member States on the reduction of excessive deficits; these recommendations should be discussed by the Economic and Financial Affairs Council on 2 December, ahead of the December European Council. Also, the annual evaluation of stability and convergence programmes in the first half of 2010 would be an opportunity to examine budgetary strategies together with the structural reforms needed to ensure long-term economic growth and viability. Lastly, he suggested that all these factors be incorporated in the strategy for the EU in 2020 proposed by the PRESIDENT.

The Commission then held a brief exchange of views, in which the following points were raised:

- the relevance of the general approach, which highlighted the balance between short-term flexibility on public deficits and the reforms and efforts needed to preserve the potential for growth and the long-term viability of the public finances;
- the importance of ensuring that, in the current climate, all the Member States actively pursued the necessary structural reforms, particularly in sectors where such measures needed to be taken in any event;
- a number of questions on the measures envisaged should the crisis persist beyond current forecasts, and on the application of the criteria and the prospect of some of the countries affected by the excessive deficit procedures joining the euro area.

The PRESIDENT backed Mr ALMUNIA's views and stressed that this was an exceptional period in which the great majority of Member States were or would be affected by excessive deficits in their public finances. The Commission had to maintain its role of budgetary supervision while acknowledging that, in these particular circumstances, it was most important to help the Member States concerned return to viable budgetary positions and prepare strategies to exit the crisis. He acknowledged that this was a difficult situation and recommended that the Member States be fully involved in discussions that focused on both the short-term constraints linked to debt and the long-term constraints arising from the structural and demographic challenges ahead.

Replying to these various comments, Mr ALMUNIA acknowledged the need to tailor the message on excessive deficits to the specific circumstances of the Member States, but at the same time emphasised the general principles of the Stability and Growth Pact and the consensus on exit strategies, which had to be based on a comprehensive approach. He pointed out that the criteria of the Stability and Growth Pact remained unchanged and that no hasty assessments should be made of

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countries' ability to join the euro area. He was convinced that these general issues had to be tackled with due regard for the individual situations of the Member States. He also mentioned the different scenarios for exiting the current economic crisis.

The Commission approved the communication in COM(2009)527/4, for transmission to the European Parliament, the Council, the Economic and Social Committee, the Committee of the Regions and the European Central Bank, and to national parliaments, together with the staff paper in SEC(2009)1313 and /2, the contents of which were noted.

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The Commission's other discussions on certain agenda items are recorded in the special minutes.

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The meeting closed at 12.26.