EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2010)1924 final

Strasbourg, 6 July 2010

<u>MINUTES</u>

of the 1924th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 30 June 2010

(morning)

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Single sitting: Wednesday 30 June 2010 (morning)

The sitting opened at 9.11 with Mr BARROSO, President, in the chair.

Present:

Mr BARROSO	President	
Baroness ASHTON	High Representative/Vice-President	Items 1 to 10 (in part) and 11 to 13
Ms REDING	Vice-President	
Mr ALMUNIA	Vice-President	
Mr KALLAS	Vice-President	
Mr TAJANI	Vice-President	Items 1 to 10 (in part)
Mr ŠEFČOVIČ	Vice-President	
Mr POTOČNIK		
Mr REHN		Items 1 to 12 (in part)
Mr BARNIER		Items 10 to 13
Ms VASSILIOU		Items 1 to 12
Mr ŠEMETA		
Mr DE GUCHT		Items 1 to 10 (in part)
Mr DALLI		
Mr LEWANDOWSKI		Items 1 to 10 (in part)
Ms DAMANAKI		
Ms GEORGIEVA		Items 1 to 10 (in part)
Mr OETTINGER		Items 1 to 13 (in part)
Mr HAHN		
Mr FÜLE		Items 1 to 10 (in part)
Mr ANDOR		
Ms MALMSTRÖM		
Mr CIOLOŞ		

<u>Absent</u>:

Ms KROES	Vice-President
Mr PIEBALGS	
Ms GEOGHEGAN-QUINN	
Ms HEDEGAARD	

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

Mr WHELAN	Chef de cabinet to Ms KROES
Ms MELNGAILE	A member of Mr PIEBALGS's staff
Mr BELL	Chef de cabinet to Ms GEOGHEGAN-QUINN
Mr VIS	Chef de cabinet to Ms HEDEGAARD

The following also sat in:

Mr LAITENBERGER	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr SØRENSEN	Director-General, DG Communication	
Mr DOENS	Head of the European Commission Spokesperson Service	
Ms AHRENKILDE HANSEN	Commission Spokeswoman	Items 1 to 10, and 13 (in part)
Mr THEBAULT	Head of the Bureau of European Policy Advisers	Items 1 to 10 (in part)
Mr SCHINAS	Bureau of European Policy Advisers	Items 10 (in part) to 13
Mr CABRAL	Adviser *hors classe* in the PRESIDENT's office	Items 1 to 12
Ms SKURATOWICZ	A member of the PRESIDENT's staff	Item 10 (in part)
Ms RISO	Deputy Chef de cabinet to Mr REHN	Items 1 to 10
Mr LAHTI	A member of Mr REHN's staff	Item 10 (in part)
Mr LEMAÎTRE	Chef de cabinet to Mr LEWANDOWSKI	Item 10 (in part)
Mr CHAIBI	A member of Ms GEORGIEVA's staff	Items 10 (in part) to 13
Mr SERVOZ	Secretariat-General	Item 10 (in part)

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

1. AGENDAS
(OJ(2010)1924/3; SEC(2010)780/2)

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(2010)1924)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 28 June.

3. APPROVAL OF MINUTES AND SPECIAL MINUTES OF 1923RD MEETING (23 JUNE)

The Commission held over approval of the minutes of its 1923rd meeting for the following week.

4. INTERINSTITUTIONAL RELATIONS
(SEC(2010)770)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Friday 25 June (SEC(2010)770).

It paid particular attention to the following points.

4.1. LEGISLATIVE MATTERS

i) Ordinary legislative procedure
(point 1.2.1 of the record)

Preparation of agreement at second reading

– Rights of passengers in bus and coach transport and amendment of Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws (Regulation) - CANCIAN report – 2008/0237(COD)

The Commission approved the line set out in SP(2010)4198/2 and /3.

Empowerment

– Rights of passengers in bus and coach transport and amendment of Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws (Regulation) - CANCIAN report – 2008/0237(COD)

The Commission empowered Mr KALLAS, under Article 13 of its Rules of Procedure, in agreement with the PRESIDENT and Mr ŠEFČOVIČ and any associated Members, to adopt and transmit to the Council its opinion on the amendments, in accordance with Article 294(7)(c) of the Treaty on the Functioning of the European Union, once Parliament had been consulted, and if necessary to attach to its opinion an amended proposal, on the basis of the line set out in SP(2010)4198/2 and /3.

Preparation of agreements at first reading

– Powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (Directive) / Establishment of a European Banking Authority (Regulation) / Establishment of a European Insurance and Occupational Pensions Authority (Regulation) / Establishment of a European Securities and Markets Authority (Regulation) - SÁNCHEZ PRESEDO / GARCÍA-MARGALLO Y MARFIL / SKINNER / GIEGOLD Reports – 2009/0161(COD) / 2009/0142(COD) / 2009/0143(COD) / 2009/0144(COD)

The Commission authorised Mr BARNIER to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in SPI(2010)42/4.

– Community macro prudential oversight of the financial system and establishment of a European Systemic Risk Board (Regulation) / Specific tasks concerning the functioning of the European Systemic Risk Board (Decision) – GOULARD / TREMOSA I BALCELLS reports – 2009/0140(COD) / 2009/141(CNS)

The Commission approved the line set out in SP(2010)4210.

– Amendment of Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies (Directive) – MCCARTHY report – 2009/0099(COD)

The Commission approved the line set out in SP(2010)3545.

– Alternative investment fund managers (Directive) - GAUZÈS Report – 2009/0064(COD)

The Commission authorised Mr BARNIER to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in SPI(2010)43.

– Investigation and prevention of accidents and incidents in civil aviation – DE VEYRAC report – 2009/0170(COD)

The Commission authorised Mr KALLAS to pursue contacts with Parliament and the Council in order to reach agreement at first reading following the line set out in SPI(2010)44.

ii) Preparation for Parliament's July part-session
(point 1.3 of the record)

Ordinary legislative procedure – Codecision – 2nd reading

– Rights of passengers when travelling by sea and inland waterway and amendment of Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws (Regulation) – AYALA SENDER report – 2008/0246(COD)

– Novel foods (Regulation) – LIOTARD report – 2008/0002(COD)

– Industrial emissions (integrated pollution prevention and control) (Directive - recast) – KRAHMER report – 2007/0286(COD)

– Obligations of operators who place timber and timber products on the market (Regulation) – HASSI report – 2008/0198(COD)

The Commission approved the line set out in SP(2010)4200 and /2, SP(2010)4201, SP(2010)4202 and SP(2010)4204 respectively.

Empowerment

– Rights of passengers when travelling by sea and inland waterway and amendment of Regulation (EC) No 2006/2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws (Regulation) – AYALA SENDER report – 2008/0246(COD)

– Novel foods (Regulation) – LIOTARD report – 2008/0002(COD)

– Industrial emissions (integrated pollution prevention and control) (Directive - recast) – KRAHMER report – 2007/0286(COD)

– Obligations of operators who place timber and timber products on the market (Regulation) – HASSI report – 2008/0198(COD)

The Commission empowered Mr KALLAS, Mr DALLI and Mr POTOČNIK, under Article 13 of its Rules of Procedure, in agreement with the PRESIDENT and Mr ŠEFČOVIČ and any associated Members, to adopt and transmit to the Council its opinions on the amendments, in accordance with Article 294(7)(c) of the Treaty on the Functioning of the European Union, once Parliament had been consulted, and if necessary to attach to its opinions amended proposals, on the basis of the line set out in SP(2010)4200 and /2, SP(2010)4201, SP(2010)4202 and SP(2010)4204 respectively.

4.2. RELATIONS WITH THE COUNCIL

iii) Programming of Council business
(SI(2010)193)

The Commission took note of the information in SI(2010)193 on the Council meetings between 1 and 16 July.

iv) Follow-up to COREPER II meeting of 9 June
(point 2.1.2 of the record)

– Draft amending budget No 2 to the general budget for 2010

The Commission approved the approach set out in SI(2010)192/3.

v) Results of the Transport, Telecommunications and Energy Council (Luxembourg, 24 June)
(point 2.1.3a of the record)

– Organisation of the working time of persons performing mobile road transport activities (Directive) – BAUER report – 2008/0195(COD)

The Commission decided to continue the withdrawal procedure and indeed to withdraw the proposal.

4.3. RELATIONS WITH PARLIAMENT

vi) Action taken on legislative opinions and non-legislative resolutions adopted by Parliament at its May I and II part-sessions
(point 3.4.2 of the record)

The Commission approved document SP(2010)3805 on the action taken on the legislative opinions and non-legislative resolutions adopted by Parliament at its May I and II part-sessions, for transmission to Parliament.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2010)782 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 21 and 25 June.

5.2. EMPOWERMENT (SEC(2010)783 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 21 and 25 June.

5.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2010)784 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 21 and 25 June, as archived in e-Greffe.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2010)785 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 28 June and 2 July and of the ‘finalisation’ written procedure initiated following the weekly meeting of Chefs de cabinet on 28 June.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2010)781)

ADMINISTRATIVE MATTERS
(PERS(2010)84)

6.1. DG ECONOMIC AND FINANCIAL AFFAIRS – INTERNAL PUBLICATION OF A VACANCY NOTICE FOR AN AD15/16 DEPUTY DIRECTOR-GENERAL (PERS(2010)85)

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Mr REHN, the Commission decided to authorise the publication, under Article 29(1)(a)(i) and (iii) of the Staff Regulations, of the vacancy notice in PERS(2010)85 for the post of Deputy Director-General in the Directorate-General for Economic and Financial Affairs.

This decision would take effect immediately.

6.2. DG REGIONAL POLICY – TEMPORARY POSTING AS DIRECTOR

On a proposal from Mr ŠEFČOVIČ, in agreement with the PRESIDENT and Mr HAHN, the Commission decided under Article 7(2) of the Staff Regulations that Ms Lena ANDERSSON PENCH, an AD13 official and Head of the 'Control and Audit I' Unit in the Directorate-General for Regional Policy, should be deemed to have been temporarily occupying the post of

Director, 'Audit' in the Directorate-General for Regional Policy from 1 July 2009 to 16 February 2010.

This decision would take effect immediately.

7. COMMUNICATION TO THE COMMISSION CONCERNING THE UPDATING OF A NUMBER OF DELEGATED POWERS PREVIOUSLY GRANTED AS REGARDS JUSTICE, FREEDOM AND SECURITY (SEC(2010)832)

The Commission approved the communication concerning the updating of a number of delegated powers, distributed as SEC(2010)832.

This decision would take effect on 1 July 2010.

8. COMMISSION DECISION ON A PROCEEDING UNDER ARTICLE 101 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION AND ARTICLE 53 OF THE EEA AGREEMENT *(CASE COMP/38.344 – PRESTRESSING STEEL)* (C(2010)4387 TO /27; SEC(2010)839)

The Commission:

– took note of the opinions of the Advisory Committee on Restrictive Practices and Dominant Positions of 26 March and 25 June in C(2010)4387/3 and /7;

– took note of the final report of the Hearing Officer of 29 June in C(2010)4387/8;

– adopted, in the authentic languages (Dutch, English, German, Italian, Portuguese and Spanish), the decision set out in C(2010)4387/5 finding that the companies to which the decision was addressed had infringed Article 101 of the Treaty on the Functioning of the European Union and, since 1 January 1994, Article 53 of the Agreement on the European Economic Area, requiring the parties to bring the infringements to an end immediately and imposing fines on some of these companies totalling €518 470 750;

- decided that the decision in C(2010)4387/9 to /27 would be notified to the companies 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).

9. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – EUROPE, THE NO 1 WORLD TOURIST DESTINATION – A NEW POLITICAL FRAMEWORK FOR TOURISM IN EUROPE (COM(2010)352 TO /4; SEC(2010)812)

The Commission approved the communication in COM(2010)352/4 for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments.

10. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS - ENHANCING ECONOMIC POLICY COORDINATION FOR STABILITY, GROWTH AND JOBS – TOOLS FOR STRONGER EU ECONOMIC GOVERNANCE
(COM(2010)367 AND /2; SEC(2010)833)

The PRESIDENT introduced the debate on the Communication which, following on from the one on 12 May on strengthening economic policy coordination, sets out the Commission's proposals on budgetary and macroeconomic surveillance. The ideas in the Communication of 12 May were used as a basis for the discussions of the task force chaired by the President of the European Council, Mr Herman Van Rompuy, and were, on the whole, included in the European Council's conclusions on 17 June.

The aim in this document was to provide some indication of the legislative proposals that would be presented by the end of September, although it must be remembered that these proposals would be confined to the framework of the Lisbon Treaty and would take advantage of the new opportunities arising from it.

Mr REHN then presented the instruments intended to ensure stronger economic coordination. The proposals, announced in the communication of 12 May, had already been welcomed by the Council, the task force working under President Van Rompuy, the European Parliament and the media, and the European Council conclusions had encouraged the Commission to move forward and give shape to economic governance in Europe as quickly as possible.

These proposals were intended to meet that objective by putting into practice the ideas in the Communication of 12 May, which would become operational as soon as possible and would pave the way for the introduction of the European Semester from 1 January 2011. The proposals presented at this meeting were more ambitious than those in the initial Communication, not only because they aimed to enhance fiscal and macroeconomic surveillance but also because they involved synchronising this with structural thematic surveillance, which was vital for the success of the Europe 2020 strategy.

Mr REHN briefly explained that fiscal, macroeconomic and structural surveillance strategies were to be aligned. This was necessary to ensure effective coordination of economic policies and to make sure that this was useful for Member States and the EU by avoiding the mushrooming and overlapping of complex procedures and proposing that they be combined in a single monitoring cycle under the Europe 2020 strategy.

He went on to discuss specific aspects of the proposal:

– the introduction of a scoreboard to monitor macroeconomic imbalances, consisting of a series of relevant indicators, and the organisation of a "preventive arm" and a "corrective arm" as part of this surveillance, like the system in place under the Stability and Growth Pact, which would include an "excessive imbalances position" and an enforcement mechanism for euro-area Member States, with a regulation on this scheduled for October;

– for the surveillance of structural reforms, the idea was to combine current integrated guideline monitoring practices with country-specific monitoring and more rigorous use of warnings;

– in the case of national fiscal frameworks, a certain number of criteria must be followed by all Member States, in particular in relation to the quality of accounting, the need for national fiscal rules to be consistent with the medium-term budgetary objective, and multiannual budgetary planning comprising a ceiling on expenditure; the relevant minimum requirements would also have to be set down in a legislative proposal;

– increased attention would be paid to government debt and fiscal sustainability in the context of the Stability and Growth Pact, at an equivalent level to that of the public deficit in the excessive deficit procedure. This would also comprise a preventive arm to speed up progress towards fiscal balance by the Member States concerned and a corrective arm to assess the pace of debt reduction using a clear and simple numerical benchmark;

- incentives to comply with the rules would include, from the preventive point of view, the requirement for euro-area Members States making insufficient progress with budgetary consolidation to make an interest-bearing deposit, and from the corrective point of view, the possibility of suspending or cancelling current or future appropriations from the Cohesion Fund, the Common Agricultural Policy and the Fisheries Fund; this would not have an immediate effect on payments and the appropriations would be reassigned to improve the quality and efficiency of the public expenditure of the Member State concerned; the intention of such sanctions was to create a clear incentive to take the necessary remedial measures;

- lastly, the introduction of a European Semester to integrate the different strands of economic policy coordination in the first half of the year in order to allow for genuine ex-ante coordination which would include an annual EU economic growth survey, strategic guidance by the European Council, and simultaneous assessment by the Commission of Stability and Convergence Programmes and National Reform Programmes, followed by recommendations by the Council with a view to finalising national budgets. The entire mechanism would not require legislative amendments at European level, only timetable adjustments in Member States, a change in the current code of conduct for the implementation of the Stability and Growth Pact to be submitted to the Economic and Financial Affairs Council of 13 July, and guidelines concerning the content of future National Reform Programmes, which the Commission intended to supply before August.

Mr REHN ended by saying that this communication was designed to provide a global view of all these important but extremely technical proposals, and to combine them into one strong political message upstream of the forthcoming meetings of President Van Rompuy's task force. He thanked the Commission Members for their close cooperation in preparing this document, in particular the PRESIDENT, the Secretary-General and Mr LEWANDOWSKI, Mr HAHN and Mr CIOLOŞ. He also thanked the other Commission Members for their willingness to take part in the joint efforts to communicate these initiatives to the general public.

The Commission then held an in-depth debate, during which the following aspects were raised:

General points

- gratitude to Mr REHN and his departments for the quantity and quality of the work carried out, but also some regret as regards the speed of the procedure and the limited time allowed for consideration and discussion;

- widespread support for the integrated approach proposed on surveillance; the case, in particular, for enhancing macroeconomic surveillance, which would also mean having adequate human resources;

- the importance of ensuring that the proposals presented could be implemented without touching the Treaty, hence ending the speculation about the possibility of further amendments to the Treaty;

- the Commission's prominent role in this domain, as evidenced by the conclusions of the last European Council;

- the importance, nevertheless, of being aware of suggestions made on other aspects of economic governance, and the need in particular to examine the content of the opinion issued by the European Central Bank on 10 June and to prepare a response to the ideas set out in it;

- questions about the administrative burden which might be a matter of concern to Member States, in particular the smaller ones, because of the proposals concerning budget monitoring;

- the importance of ensuring that national parliaments were involved to an appropriate degree in the process of budgetary coordination;

- regret that while employment was mentioned in the title, it was not accorded the same importance in the content of the communication;

- the fact that the success of the proposed initiatives would also depend largely on the functioning and quality of statistics and forecasts, and the usefulness of having a comprehensible basis for analysis in this respect;

- the need for Member States to become aware of the interlinkage of their economies and to assume responsibility with respect to their partners in the EU;
- in communications with the outside world, the case for underlining the value of stricter control of deficits and debts in the interests of future generations; moreover, the need to state clearly that the envisaged suspension or cancellation of appropriations would affect not direct payments to final beneficiaries but transfers to national budgets; also the importance of properly clarifying the reasons for differentiated application of sanctions inside and outside the euro area, and the need to emphasise the preventive aspect and positive conditionality;
- the usefulness of the information and guidelines handed out by Mr REHN for the communication efforts of all Commission Members, and the wish that this approach be continued to ensure uniform communication;

Incentives and sanctions

- some Commissioners welcomed the balance struck between the preventive and corrective dimensions, incentives and sanctions, whereas others expressed doubts as to the appropriateness and effectiveness of the approach and highlighted the importance of the project for strengthening economic governance being taken up at the highest level and of the commitment of the Member States, stakeholders and citizens to this way out of the crisis, as well as the unfair and counter-productive nature of suspensions or cancellations of payments from the EU budget, in particular structural funds;
- the need, in any case, to lay as much emphasis as possible on prevention, since it was felt that corrective measures could aggravate the situation of the countries concerned;
- a question concerning whether, as part of the preventive arm of economic

surveillance, a non-interest-bearing deposit could be imposed on a reoffending Member State;

- a preference for sanctions to be as automatic as possible;

- regret at the fact that, under the terms of the Treaty, some of the proposed sanctions could only be applied to Member States in the euro area, the importance of a single discipline for all the Member States, and a call to explore the possibility of extending all the measures to the 27 Member States in future;

- for the sake of equity, the need for the proposed financial sanctions and incentives to be based on revenue rather than expenditure;

- the need to ensure that the final beneficiaries of the payments that could be suspended or cancelled were not affected by this, in order to avoid the counter-productive effects of the sanctions on certain sectors; some doubts as to whether the effects of such sanctions on certain business sectors and thus on undertakings and citizens could ultimately be avoided;

- in the same spirit, regrets as to the sectoral nature of the decisions taken on sanctions and the resulting risk of discrimination;

- the hope that the amendment of the legal provisions that was needed to introduce the possibility of financial sanctions could be carried out if possible by means of a horizontal legal instrument in order to guarantee equal treatment of the various financial instruments in question;

- regret that the sanctions were not defined more specifically on the basis of the kind of imbalances found;

- the fear that the question of sanctions might sidestep the issue of the quality of the proposals submitted and dominate the debate.

In reply, Mr REHN thanked the Commissioners for their specific contributions. He began by pointing out that the Communication did not set out to solve all the problems relating to the strengthening of economic governance.

He acknowledged that presenting these proposals to the outside world would not be an easy task and that emphasis should be placed on the wish to lay the foundations of sustainable growth and job creation for future generations, which would require closer budgetary and economic surveillance.

He stressed that while the Communication as a whole reflected the viewpoint that prevention was better than correction, the mechanism for implementing surveillance must include both dimensions, while ensuring that the final beneficiaries were not affected by the measures.

He also acknowledged that the issue of sanctions would be a key one in the debate that would follow the Communication, but that a broader presentation of its content should enable the balance between the positions to be restored.

With regard to the wish expressed that all the proposals should be applied uniformly to the 27 Member States, he pointed out the existing legal constraints, since Article 136 of the Treaty on European Union provided for measures to reinforce budgetary coordination and surveillance only for euro-area Member States. He also stressed the need for increased surveillance of the macroeconomic imbalances of the euro-area Member States, which could jeopardise the stability of the single currency.

Concerning the administrative overload that might result from the new budgetary monitoring requirements, he said that the reporting requirements were based on mechanisms already in place under the Stability and Growth Pact and national reform programs.

With regard to the position taken by the European Central Bank on the issue of economic governance, he suggested circulating the document concerned to the Commission Members. In any case, he felt that the call for a genuine system of sanctions launched in that document legitimised and reinforced the Commission's action.

The PRESIDENT pointed to the historic nature of the initiatives proposed that day in the context of a crisis affecting the single currency and with repercussions for world financial markets. He stressed that the economic and monetary union should be given the necessary tools now to enable it to operate fully in order to ensure its credibility, including a system of sanctions.

He saw as a unique opportunity the possibility of moving towards an economic union in Europe that would integrate the Stability and Growth Pact, economic governance and structural reforms in a coherent system, bringing together in a common purpose the structural funds, fiscal surveillance and the reforms envisaged under the Europe 2020 strategy.

Referring to the question of the differentiated implementation of these proposals in euro and non-euro Member States, he pointed to the increased responsibility of the countries that had adopted the single currency, a responsibility which should be reflected in the system of incentives and sanctions. It was particularly important that all these provisions should come under a single legal order, namely that laid down by the Treaty, and hence take account of the differences in this legal order, in particular the stricter rules for euro-area Member States laid down in Article 136.

In any case, he considered that the sanctions should serve as incentives to comply with the rules, and that the main thrust of the proposals was to reinforce the preventive dimension, particularly through the introduction of the European Semester. He felt, therefore, that these proposals would enhance the Union's economic coherence while maintaining the inevitable differences between the euro and non-euro Member States.

With regard to the interinstitutional dimension of this process, it was important to demonstrate unity both among the European institutions, including the European Council, and within the Commission, and also to adequately involve the national parliaments. He reiterated that the Commission must act as a driving force in this debate and that these proposals were also important in the context of the world economy and international expectations of the European Union.

Turning finally to the importance of good communication, he launched the idea of holding a conference in the autumn in cooperation with the Bureau of European

Policy Advisers so as to fully clarify these proposals.

Winding up the debate, the PRESIDENT noted the Commission's support for the Communication and its agreement (once it had heard the opinion of the Director-General of the Legal Service on, firstly, the possibility of extending the whole of the proposed system of sanctions and incentives to all the Member States and, secondly, the options being considered for amending the legal provisions currently in force so as to introduce the possibility of sanctions) to the following amendments to the English language version of COM(2010)367/2:

– **the fourth paragraph on page 9 should read as follows:**

  "The new sanctions "toolbox" would therefore contain different types of sanctions and incentives, which will be activated depending on the set of circumstances and gravity of the situation. The proposed improvements to the existing enforcement mechanisms would require amending the preventive and corrective arms of the SGP (Regulations 1466/97 and 1467/97) as well as through an appropriate mechanism based on the various legal acts on which EU expenditure programmes are based.";

– **the second paragraph on page 11 should read as follows:**

  "The required changes will be incorporated in the Commission's 2011 proposals for the next multi annual financial framework. In the meantime, a regulation based on Article 136TFEU creating a new sanction toolbox having similar effects will be proposed for the euro-area Member States by end-September. The Commission will explore ways of extending these sanctions and incentives toolbox to all Member States as soon as possible.".

Subject to inclusion of the above amendments and to a final linguistic revision, the Commission approved the Communication set out in COM(2010)367/2, for transmission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, and to the national parliaments.

The Commission also noted that when amending the legal provisions needed to introduce the possibility of financial sanctions, it would do its best to ensure that these provisions constituted a single legal instrument or that the instruments were as consistent and convergent as possible.

11. PROPOSAL FOR A COUNCIL REGULATION ON THE TRANSLATION ARRANGEMENTS FOR THE EUROPEAN UNION PATENT (COM(2010)350 TO /3; SEC(2010)796; SEC(2010)797; SEC(2010)798; SEC(2010)799)

Mr BARNIER was pleased that the Commission was adopting the proposal for a Council Regulation on the language arrangements for the European Union patent, which was based on the new provisions of the Lisbon Treaty. He stressed that the internal market must provide the springboard for Europe's economic recovery. For several decades the lack of a unitary and affordable European patent title had been a missed opportunity for Europe, its competitiveness and its innovation. The proposal on language arrangements therefore touched on a vital and sensitive aspect of the process of establishing this EU patent. He felt that the proposed arrangements were balanced and offered real added value in terms of translation costs for European industry.

By way of example he pointed out that filing a patent in Europe was currently ten times more expensive than in the United States, whereas experts estimated that the proposal tabled for adoption that day would bring down the cost of translating and validating the European Union patent from an average of EUR 12 000 to around EUR 700.

Following discussions with a number of Member States on this issue, Mr BARNIER was convinced that the approach chosen was the one that could attract the widest consensus. He was pleased that all the Members of the Commission supported his proposal, but warned nevertheless that, whatever the merits of this balanced proposal, discussions in the Council would not be easy. The Commission's proposal would have to be adopted unanimously, and he himself was personally committed to achieving that unanimity, even if it meant making changes to the text, provided that the costs and complexity remained within acceptable limits.

He would provide the Members of the Commission with regular updates on the negotiations, which would probably be conducted at the Council meeting on Competitiveness in the autumn, and added that the Belgian Presidency intended to give due priority to this issue in future discussions with the Member States. He ended his presentation by stressing the long road that still lay ahead before this EU patent was in place and the need for progress not only on the language arrangements but also on the question of content and the court arrangements for the patent.

The PRESIDENT thanked Mr BARNIER for his presentation and assured him of his full support in his efforts to make progress on this sensitive issue, which would indeed be a priority for the incoming Council Presidency as from 1 July.

The Commission adopted the proposal for a Council Regulation in COM(2010)350/3, took note of the impact assessment, the summary thereof and the opinion of the Impact Assessment Board, set out respectively in SEC(2010)796, SEC(2010)797 and SEC(2010)798, and decided to transmit the proposal, together with the impact assessment and the summary thereof, to the European Parliament and the national parliaments.

12. RELATIONS WITH NON-MEMBER COUNTRIES

RESULTS OF G8 SUMMIT (HUNTSVILLE – MUSKOKA, 25 AND 26 JUNE) AND G20 SUMMIT (TORONTO, 26 AND 27 JUNE)

The PRESIDENT reported on the results of the G8 and G20 summits held on 25 and 26 June in Huntsville and on 26 and 27 June in Toronto, at which the European Union had been represented by the President of the European Council, Herman Van Rompuy, and himself.

He described the constructive atmosphere at the two summits and stressed the value of the different formats; the G8, being a smaller forum, allowed for a more detailed exchange of views on a large number of topics that were not specifically restricted to the G20, particularly in the field of international relations, but also other subjects apart from the economic agenda. He gave the example of the discussions on strategic issues such as Korea, Iran and the situation in the Middle East which took place over dinner. He also mentioned the work on economic issues, where the exchange of views on the global economic situation and crisis exit strategies had been particularly useful, and said that he had given a presentation on the economic situation in Europe.

The PRESIDENT spoke in particular about the Muskoka Initiative on maternal and child health, which was connected with the Millennium Development Goals and aimed to mobilise additional funding of five billion dollars over the next five years. At the summit the European Union had pledged an extra 70 million dollars under the partnership between the EU and the African, Caribbean and Pacific States and in agreement with its partners. The pledges given at Muskoka were in addition to the EU's plans to devote a further 1.35 billion euros to maternal and child health in the period 2011-2013 under the multiannual financial framework. Finally, he thanked Mr PIEBALGS and the departments for which he was responsible for their support.

The PRESIDENT then turned to the results of the G20 summit, which had focused on the outlook for the world economy and the challenges it faced. The summit had looked at ways of creating an environment in which the foundations could be laid for strong, sustainable and balanced growth internationally, at the reform of the international financial institutions and at the regulatory framework in the financial sector, in preparation for the next G20 summit in Seoul in November.

He noted with satisfaction that the outcome of the work of the G20 broadly reflected the priorities identified by the European Council. The conclusions in Toronto were a step in the right direction, but also required careful and proactive monitoring. He mentioned the following aspects in particular:

- the importance of a coordinated budget stabilization strategy at international level that would focus on growth but at the same time take into account each country's individual situation. This called for additional stabilization efforts by the countries facing the most serious budgetary problems, but also a contribution from all the G20 countries to achieve the minimal goals agreed in Toronto;

- the need for further progress in reforming and restoring the financial markets and the urgent need for an agreement on increasing bank capital and liquidity. The summit participants had agreed to get the banking sector to contribute to the costs of the financial rescue package and bank bailouts, but the European Union was still insisting that the general principles agreed by the G20 should be further developed and clarified, in line with the conclusions of the European Council on this matter and in relation to the tax on banking operations and the financial transactions tax;

- the importance of reaching an agreement ahead of the next G20 summit in November on the reform of quotas and the governance structures of the IMF, to give it greater legitimacy and make it more efficient;

- finally, the need to take forward the work on the Doha development agenda and to confirm support for the Copenhagen agreement, again with a view to the summit in Seoul.

In conclusion, the PRESIDENT felt that the summit in Toronto had sent a signal of unity and had helped to restore world confidence, but had also shown the need for further cooperation on a large number of issues, particularly in economic and financial areas. He pointed to the importance of Europe's contribution to the summits and to the benefits of a common approach and close coordination among the European participants, as well as the need for the European Union to continue its efforts to reform the regulatory framework in the financial sector and to impress upon its international partners the need for substantial progress in this area.

The Commission noted this information and proceeded to hold a brief exchange of views, in the course of which it highlighted the importance of closely monitoring the work to finalise the financial transactions tax and relaunch the Doha Round over the coming months.

13. OTHER BUSINESS

STATE OF NEGOTIATIONS ON THE FRAMEWORK AGREEMENT ON RELATIONS BETWEEN THE EUROPEAN PARLIAMENT AND THE COMMISSION

Mr ŠEFČOVIČ informed the Commission that agreement had been reached on Tuesday 29 June in the negotiations on renewing the framework agreement between the European Parliament and the Commission. He referred specifically to the question of international negotiations and compliance with the respective competences of the two institutions in this area, as well as the need to preserve the Commission's right of initiative. A consolidated version of the agreement was being prepared and he would be giving a fuller presentation of the text at a forthcoming Commission meeting.

The PRESIDENT thanked Mr ŠEFČOVIČ and underlined the importance of such a framework agreement for relations between the Commission and Parliament. He confirmed that time would be set aside on the agenda of one of the Commission's next meetings for a fuller presentation by Mr ŠEFČOVIČ of the results of the negotiations. Replying to a number of comments he also said that the Commission's relations with Parliament and the Council would be discussed at the Commission Members' seminar on 1 and 2 September.

The Commission took note of this information.

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The meeting closed at 12.46.