EUROPEAN COMMISSION

SECRETARIAT-GENERAL

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Brussels, 30 May 2012

MINUTES

of the 2002nd meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 16 May 2012

(morning)

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<u>Single sitting</u>: Wednesday 16 May 2012 (morning)

The sitting opened at 9.14 with Mr BARROSO, President, in the chair. It was adjourned at 12.06 and resumed at 12.41.

<u>Present</u>:

Mr BARROSO	President	
Baroness ASHTON	High Representative/ Vice-President	Items 1 to 6 (in part)
Ms REDING	Vice-President	
Mr ALMUNIA	Vice-President	Items 1 to 6 (in part)
Mr REHN	Vice-President	
Mr POTOČNIK	Member	
Mr PIEBALGS	Member	
Mr BARNIER	Member	
Ms VASSILIOU	Member	
Mr ŠEMETA	Member	
Mr DE GUCHT	Member	Items 1 to 6 (in part)
Ms GEOGHEGAN-QUINN	Member	
Mr LEWANDOWSKI	Member	Items 1 to 6 (in part)
Ms DAMANAKI	Member	
Ms GEORGIEVA	Member	Items 1 to 6 (in part)
Mr OETTINGER	Member	Items 1 to 6 (in part)
Mr HAHN	Member	
Ms HEDEGAARD	Member	
Mr FÜLE	Member	
Ms MALMSTRÖM	Member	Items 1 to 6 (in part)
Mr CIOLOŞ	Member	

Absent:

Mr KALLAS	Vice-President
Ms KROES	Vice-President
Mr TAJANI	Vice-President
Mr ŠEFČOVIČ	Vice-President
Mr DALLI	Member
Mr ANDOR	Member

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

Ms CHAPUIS	A member of Mr KALLAS's staff	
Mr WHELAN	Chef de cabinet to Ms KROES	Items 1 to 6 (in part)
Mr VAN ORANJE-NASSAU	A member of Ms KROES's staff	Item 6 (in part)
Ms SUPERTI	Deputy Chef de cabinet to Mr TAJANI	
Mr NOCIAR	Chef de cabinet to Mr ŠEFČOVIČ	Items 1 to 6 (in part)
Ms DARMANIN	Chef de cabinet to Mr DALLI	
Ms GAGO	Chef de cabinet to Mr ANDOR	

The following also sat in:

Mr LAITENBERGER	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr DOENS	Head of the Commission Spokesperson Service	
Ms AHRENKILDE HANSEN	Commission Spokeswoman	Items 1 to 6 (in part)
Mr THEBAULT	Head of the Bureau of European Policy Advisers	Items 1 to 6 (in part)
Mr SCHINAS	Bureau of European Policy Advisers	Item 6 (in part)
Mr CABRAL	Adviser *hors classe* in the PRESIDENT 's Office	Items 1 to 6 (in part)
Ms DE RICHEMONT	Adviser in the PRESIDENT’s Office	Item 6 (in part)
Ms SKURATOWICZ	A member of the PRESIDENT's staff	
Ms SUTTON	A member of the PRESIDENT's staff	
Mr BALTAZAR	A member of Ms REDING's staff	Item 6 (in part)
Mr MARTÍNEZ MONGAY	Chef de cabinet to Mr ALMUNIA	Item 6 (in part)
Mr PESONEN	Chef de cabinet to Mr REHN	
Mr LAHTI	Adviser in Mr REHN's Office	Item 6 (in part)

Ms HRISTCHEVA	Adviser in Ms GEORGIEVA's Office	Item 6 (in part)
Mr SERVOZ	Deputy Secretary-General	

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

1. AGENDAS (OJ(2012)2002/3; SEC(2012)296/2)

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

2. WEEKLY MEETING OF CHEFS DE CABINET (RCC(2012)2002)

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

3. APPROVAL OF THE MINUTES AND SPECIAL MINUTES OF THE 2000TH AND 2001ST MEETINGS OF THE COMMISSION (2 AND 8 MAY) (PV(2012)2000; PV(2012)2000, PART II; PV(2012)2001; PV(2012)2001, PART II)

The Commission approved the minutes and special minutes of its 2000th and 2001st meetings.

4. INTERINSTITUTIONAL RELATIONS (RCC(2012)50)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group held on Friday 11 May (RCC(2012)50).

It paid particular attention to the following points.

4.1. LEGISLATIVE MATTERS

i) Ordinary legislative procedure
(point 1.2 of the record)

Dossiers at Parliament first reading

– Amendment of Decision 1639/2006/EC establishing a Competitiveness and Innovation Framework Programme (2007-2013) and Regulation (EC) 680/2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks (Regulation) – FÄRM report – 2011/0301 (COD)

The Commission approved the line set out in SI(2012)207/2.

– Information exchange mechanism with regard to intergovernmental agreements between Member States and third countries in the field of energy (Decision) – KARIŅŠ report – 2011/0238 (COD)

The Commission approved the line set out in SI(2012)208.

– Amendment of Directive 1999/32/EC as regards the sulphur content of marine fuels (Directive) – HASSI report – 2011/0190 (COD)

The Commission approved the line set out in SI(2012)204/3.

– Alternative dispute resolution for consumer disputes – Amendment of Regulation (EC) 2006/2004 and Directive 2009/22/EC (Directive) – GRECH report – 2011/0373 (COD) / Online dispute resolution for consumer disputes (Regulation) – THUN UND HOHENSTEIN report – 2011/0374 (COD)

The Commission approved the line set out in SI(2012)195/2.

– Access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms – Amendment of Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (Directive) / Prudential requirements for credit institutions and investment firms (Regulation) – KARAS reports – 2011/0203 (COD) / 2011/0202 (COD)

The Commission approved the line set out in SI(2012)196/2.

– Amendment of Regulation (EC) 726/2004 as regards pharmacovigilance (Regulation) / Amendment of Directive 2001/83/EC as regards pharmacovigilance (Directive) – MCAVAN report – 2012/0023 (COD) / 2012/0025 (COD)

The Commission approved the line set out in SI(2012)197.

– Rules for direct payments to farmers under support schemes within the framework of the common agricultural policy (Regulation) – CAPOULAS SANTOS report – 2011/0280 (COD)

The Commission approved the line set out in SI(2012)203.

– Conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer (Directive) – IACOLINO report – 2010/0209 (COD)

The Commission approved the line set out in SI(2012)206/2.

<u>Dossier at Council first reading</u>

– Emergency autonomous trade preferences for Pakistan (Regulation) – MOREIRA report – 2010/0289 (COD)

The Commission approved the line set out in SI(2012)194.

ii) Preparation for the May II part-session of Parliament
(point 1.3 of the record)

Ordinary legislative procedure – First reading

– Scheme of generalised tariff preferences (Regulation) – FJELLNER report – 2011/0117 (COD)

The Commission approved the line set out in SP(2012)334.

Ordinary legislative procedure – First reading / Non-legislative procedure

– Issuance of euro coins (Regulation) / Amendment of Council Regulation (EC) 975/98 of 3 May 1998 on denominations and technical specifications of euro coins intended for circulation (Council Regulation) – MARTIN reports – 2011/0131 (COD) / 2001/0128 (NLE)

The Commission approved the line set out in SP(2012)333.

Special legislative procedure

– Common system of financial transaction tax and amendment of Directive 2008/7/EC (Council Directive) – PODIMATA report – 2011/0261 (CNS)

The Commission approved the line set out in SP(2012)335 and /2.

4.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

iii) Programming of Council business
(SI(2012)211)

The Commission took note of the information in SI(2012)211 on the Council meetings between 17 and 30 May.

4.3. RELATIONS WITH PARLIAMENT

iv) Results of the May I part-session
(SP(2012)348; SP(2012)349)

The Commission took note of the information in SP(2012)348 and SP(2012)349 on the proceedings of the part-session of Parliament held in Brussels from 9 to 10 May.

v) Action to be taken on Parliament's legislative opinions and resolutions of a legal nature
(SP(2012)350)

The Commission decided to empower the Commission Members responsible for the sectors in question, in agreement with the PRESIDENT and Mr ŠEFČOVIČ and, if necessary, with the other Members concerned, to adopt the amended proposals for transmission to Parliament and the Council, as set out in SP(2012)350, drawn up following the May I part-session of Parliament, the contents of which were noted.

4.4. EXTERNAL RELATIONS

vi) Position to be taken by the European Union in the EEA Joint Committee concerning the amendment of Protocol 4 (Rules of origin) to the EEA Agreement – 2012/0063 (NLE)
(SI(2012)205)

The Commission agreed that the line to be taken in this matter would be adopted by written procedure.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2012)297 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 7 and 11 May.

5.2. EMPOWERMENT (SEC(2012)298 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 7 and 11 May.

5.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2012)299 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 7 and 11 May, as archived in e-Greffe.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2012)300)

The Commission took note of the sensitive written procedures for which the time limit expired between 14 and 16 May and of the finalisation written procedures initiated following the weekly meeting of Chefs de cabinet on 4 May.

6. PREPARATION OF THE INFORMAL DINNER OF HEADS OF STATE OR GOVERNMENT (BRUSSELS, 23 MAY) AND OF THE EUROPEAN COUNCIL MEETING (BRUSSELS, 28 AND 29 JUNE)

The PRESIDENT introduced the discussion, the aim of which was to develop the Commission's discussion a week earlier on Europe Day (9 May) on ways of stimulating economic growth in Europe. He invited the Commission Members to concentrate on the possibilities of specific initiatives and solutions. He stressed the urgent need for determined action, given the complexity of the current political context, in which a combination of factors was at play. These were the resurgence of the EU debt crisis, which could trigger a spiral of events, the polarisation of positions on the European political scene and of public opinion, and the Greek decision to hold new Parliamentary elections in June.

He underlined the heavy responsibility incumbent on the Commission in this situation. It must not just make balanced, ambitious and realistic proposals as it had done in its statement of 9 May 2012, with messages that were manifestly being increasingly echoed by the Heads of State or Government; it must also define clear and precise conditions for implementing these proposals.

The PRESIDENT said that the momentum generated by this statement should be used to secure consensus around the idea of working simultaneously towards budgetary stabilisation and the stimulation of growth by seizing the opportunities offered by the European political calendar in the coming weeks. These were the European Parliament's part-session on 22 May, the informal dinner of the members of the European Council on 23 May, the presentation of the package of measures to be adopted by the Commission on 30 May as part of the European Semester and the European Council of 28 and 29 June, not forgetting the opportunities offered by the international calendar in the same period, such as the G8 summit in the US and the G20 meeting in Mexico.

The informal dinner of Heads of State or Government on 23 May should focus above all on the possible options for launching a wide-ranging initiative to boost growth. The PRESIDENT therefore considered that the day's discussion should be organised around two main themes, namely (i) the specific objectives of the 'Europe 2020' strategy that could be grouped under such an initiative, be deployed in the short term and translate rapidly into results on the ground, and (ii) ways of sending signals or taking additional measures in order to restore confidence in the soundness of the euro area and the European Union as a whole by maintaining the current consensus among the respective Member States.

With regard to the general content, he said that this future growth initiative must be underpinned by the principle of financial stability, approved by the Member States, implementation of which required strict application of the new economic governance system. He added that it must be based on the platform of the 'Europe 2020' strategy, which could serve as a catalyst for growth. The PRESIDENT reiterated that there could be no robust or durable growth without sound public finances – two essential conditions for restoring confidence, competitiveness, renewed economic activity and job creation – and referred to the 'contract' entered into between the European institutions and the Member States in the European crisis exit strategy, which consisted of exchanging solidarity for responsibility and support for reform, with each party honouring its commitments.

Among the instruments available to the European Union, he mentioned, in addition to the European Financial Stability Facility and the European Stability Mechanism, the important role that could be played by the general budget of the EU in the future growth initiative. It was therefore necessary rapidly to reach a satisfactory agreement on the 2013 budget, as well as on the 2014-2020 multiannual financial framework. He hoped it would also be possible to release additional resources in order to finance targeted investments in growth. This could be done by increasing the financing capacities of the European Investment Bank (EIB), optimising use of the Structural Funds, seeking a consensus on European bonds for financing infrastructure projects ('project bonds') and re-examining the possibility of introducing a tax on financial transactions. If some progress could be made on these fronts, conditions would be favourable for a more positive debate on budgetary integration and European 'stability bonds'. He also referred to the possibility of coordinating national policies more closely at European level. To curb the loss of competitiveness of certain Member States, he suggested that the Commission should step up the efforts made under the ‘Euro Plus’ pact and make this pact an integral part of the new economic governance.

Lastly, the PRESIDENT asked the Commissioners for their views on the structural reforms to be implemented at European level. Referring in particular to the completion of the single market, he said that it was necessary to correct its imbalances, which meant that the law of comparative advantage was currently being undermined by numerous obstacles and by constraints on domestic demand and consumption. He regretted the absence of a single market for services and stressed the need to ensure that companies from economically weaker and those from economically more powerful Member States enjoyed the same access in each other’s countries, citing in this context the next phase of the Single Market Act (the ‘Single Market Act 2’).

With regard to the signals to be sent and the measures to be taken to reinforce the message that the euro and European integration were irreversible, the PRESIDENT said that in the context of the situation in Greece, the best way of maintaining confidence was for Europe to speak with one voice and make absolutely clear its wish for Greece to remain in the euro area and to honour the commitments it had undertaken and which the International Monetary Fund, the European Central Bank and the Commission considered to be essential.

The Commission’s growth initiative would have the greatest chances of success and credibility if it were based on a sound framework of financial stability, with the possibility of activating certain levers such as the firewalls, possible initiatives of the European Central Bank and determined action by the Member States to protect the euro. He stressed that this dual need for success and credibility ruled out any lessening of budgetary discipline and would require full use of the Stability and Growth Pact, including its scope for adaptability. He also suggested giving careful consideration to specific new measures concerning the recapitalisation of banks and future legislative initiatives on bank resolution.

Before launching the discussion, the PRESIDENT proposed having a preliminary presentation focusing on the current economic situation and on certain sectoral aspects. He suggested that (i) Mr REHN should review the spring forecasts published on 11 May, the general economic situation, the outcome of the Eurogroup meeting two days before and of the Economic and Financial Affairs Council meeting the day before, in particular in relation to Greece and Spain, and the possible further increase in the EIB's capital; (ii) Mr BARNIER should describe the situation in the banking sector, the proposals that he was currently preparing and the growth potential that could be tapped in the short term through measures relating to the single market; (iii) Mr ALMUNIA should provide some information on aspects of the banking reform linked to state aid and on measures that could be taken in this respect; (iv) Mr DE GUCHT should take stock of the various negotiations under way on free trade agreements with non-EU countries; (v) Mr LEWANDOWSKI should describe the progress on the 2013 budget and the multiannual financial framework; (vi) Mr ŠEMETA should report on the current state of discussions concerning the tax on financial transactions; and lastly, (vii) Mr HAHN should present the options being considered to maximise use of the Structural Funds.

Mr REHN briefly reviewed the spring economic forecasts published on 11 May, which pointed to a mild recession and subdued growth from the second half of this year. It was estimated that gross domestic product would stagnate in 2012 in the European Union and shrink by 0.3% in the euro area, however growth would rise to 1.3% in the EU overall and to 1% in the euro area in 2013.

While European economies were, on the whole, on the path to recovery, the situation varied from one country to another, as did unemployment rates, which ranged from virtual full employment in some Member States to rising unemployment in others, especially among young people.

Turning to fiscal policy, Mr REHN emphasised the need to pursue both public finance consolidation and growth, the first being a precondition for the second and vice-versa, since a sound economic growth rate would ensure sustainable fiscal recovery. Since the situation differed in each Member State, however, the pace of adjustment would have to be tailored to the specific fiscal risks facing each country, while at the same time remaining strictly within the Stability and Growth Pact. This would form part of the recommendations for each country which the Commission would be examining at its meeting on 30 May.

According to the latest forecasts, macroeconomic imbalances were continuing to diminish in the European Union. Mr REHN was pleased to see that there had been a considerable narrowing of the gaps between current account balances and, in particular, that major adjustments had been carried out in Member States whose balances showed a deficit. While it would be premature at this stage to draw conclusions about the cyclical or more lasting nature of these developments, these were encouraging signs which would suggest that the rebalancing in progress was to a large degree structural.

Efforts in this area would have to be underpinned by balanced growth, which required huge structural reforms in due course, the reallocation of resources in national economies and at European level, greater flexibility in goods and labour markets, proper functioning of the single market and the easing of red tape.

As regards investment, public resources should be concentrated on investment in human capital, research and innovation with an eye to the knowledge economy recommended in the Europe 2020 strategy, thereby establishing sustainable growth, creating jobs and boosting European competitiveness. The Structural Funds and EIB instruments should be used as much as possible.

There was now a much greater probability that the EIB's capital would be increased; however in addition to reinforcing its capacities, risk-sharing instruments should be developed, with the EU budget helping to shore up the EIB’s riskiest activities. Mr REHN ended by saying that the Commission and the EIB might produce a draft paper for the approval of the European Council in June on the areas, to be agreed by the two institutions, to which the Bank’s capital increase should be allocated.

Mr BARNIER said that, while the European banking system could, generally speaking, be regarded as sound, certain points should, nevertheless, be borne in mind: the very large number of banks in Europe, whose status varied enormously and which, unlike those in the United States, financed up to two-thirds of the economy.

He then raised three issues relating to prudential aspects, bank resolution and the structure of the banking sector. In July 2011 the Commission had approved the CRD 4 proposal on the implementation of the Basel III agreement to strengthen bank capital and improve liquidity management, with a view to creating a set of common rules. Mr BARNIER then gave an update on the interinstitutional process under way. He said that he would submit a bank resolution proposal to the Commission on 6 June designed to introduce a common toolkit and reduce risks through better governance.

As for the structure of the banking system, he informed the meeting that he had asked Mr Erkki LIIKANEN, a former Member of the Commission, to head a high-level working group responsible for discussing the banking system, its stability, its economic financing activities, and risk weighting and prevention, with a view to presenting recommendations in September. The discussion would also touch on the question of shadow banking.

Mr BARNIER felt that it was important to steer saving in Europe towards more productive investments and social entrepreneurship, and referred to one of his previous proposals to create a European savings account intended to finance European projects, with a guaranteed interest rate. He also stressed the importance of carefully scrutinising, for example as part of the European Semester, the issue of competitiveness gaps in Europe both between Member States and with other countries, and the advisability of subsequently developing bold proposals on industrial policy and innovative technologies.

Mr BARNIER concluded his remarks by noting that in June he would present to the Commission a set of proposals to accelerate the integration of the services sector, improve the governance of the single market and modernise the legislative framework for intellectual property rights, including their collective management. Finally, he confirmed that he would shortly be proposing the second phase of the

Single Market Act and invited the other Commission Members concerned to start working with him now to identify the key initiatives that could be presented rapidly.

Mr ALMUNIA stressed the importance and proven effectiveness of the existing rules on state aid and the restructuring of the banking sector. He recapped the decisions adopted by the Commission in this field since the onset of the financial crisis and supported Mr BARNIER's ideas concerning the advisability of a future initiative on the question of bank resolution.

The European banking system was fragile; it had been experiencing further difficulties in several Member States for a number of months due, in his view, to both its intrinsic weaknesses and its links to the sovereign debt crisis in the euro area. Against this background, he highlighted the benefits of pooling risks.

Mr ALMUNIA touched briefly on the link between the rules on state aid and growth, noting that on 8 May the Commission had adopted a Communication on state aid modernisation, one of whose main objectives – alongside the Commission's usual state aid control – was to restore sustainable growth, and thereby help the Member States to achieve the priorities set out in the Europe 2020 strategy by more effective use of existing resources.

Above and beyond the medium and long-term effects of structural reforms and fiscal consolidation, it was important for the European Union to think about near-term solutions that were an optimal combination of a number of policies. Mr ALMUNIA added that it would be desirable for the Member States with sufficient room for manoeuvre to make more use of automatic stabilisers and to take steps to increase domestic demand, which he felt was the only way of generating balanced growth within the euro area.

Mr DE GUCHT noted that the Member States in a relatively favourable economic situation today owed their position above all to healthy trade. Demand would grow from 2015, essentially outside the European Union, and it would therefore be in the Union's best interest to take full advantage of the growth in trade that would follow.

From a supply-side perspective, the lowering of customs barriers allowed imports into the Union of low-value-added components from non-member countries, and exports of finished products with higher technology content, which meant that the imports should be perceived not as a threat but a necessity for balanced external trade and European competitiveness.

He referred to the various free-trade agreements that had been or were being negotiated, and the prospects in the multilateral field, in particular the Doha Round and the agreement on trade facilitation. He argued that the European Union had to have an ambitious trade policy and that it was for the Commission to get the message across to the Member States that they had to look beyond the mere defence of certain traditional or specific sectors in their economies.

Mr DE GUCHT concluded by reiterating his concern about the excessive length of time currently taken to ratify trade agreements, and expressed his desire to see the timescales reduced to a maximum of twelve months in future.

Mr LEWANDOWSKI considered that the debate on growth enabled the Commission to credibly boost its message on the potential fruits for the Union and the Member States from the next multiannual financial framework in terms of sustainable and balanced growth. He also welcomed the positive reception which the proposal for a modest and targeted increase in the European budget had received from a number of Member States at the recent Economic and Financial Affairs Council.

He stressed that the questions of competitiveness, which were at the heart of the current economic crisis, had not been properly addressed by the Member States because of the absence of an appropriate mechanism at European level for monitoring their action on public debt, and noted that it was now the markets and adjustment programmes that were forcing the Member States to implement the necessary reforms, albeit at a very high social cost.

His view was that the proposals presented by the Commission in the context of the multiannual financial framework, and the future cohesion policy, could serve as a platform for appropriate structural reforms by linking access to the structural and cohesion funds to the adoption of reforms to kick-start growth, through partnership contracts allowing the Commission to suspend the payment of funds to any Member State that did not respect its commitments.

Investment was also very important for European growth; the cohesion policy accounted for a very large proportion of the funds intended for public investment in the Member States, a proportion that was increasing rapidly at a time when, owing to the fiscal consolidation measures under way, European finance was becoming in some cases the main, even sole, source of national public investment.

Mr LEWANDOWSKI finished his presentation by noting the relatively modest size of the European budget, having regard to the budget imbalances in the Member States, and was fairly optimistic that the budget proposal for 2013 would be adopted.

Reporting on the discussions on the financial transactions tax, Mr ŠEMETA noted that a number of studies had clearly demonstrated the positive impact on European GDP of using the revenue from such a tax in an efficient and targeted way. He gave a brief account of the work in progress and the next stages in the institutional process and referred to the policy debate scheduled for the Economic and Financial Affairs Council in June and the possibility that enhanced cooperation might be used.

Opposition from two Member States – Luxembourg and Austria – had prevented any agreement being reached in the ongoing negotiations with Switzerland on tax; this issue would have to be addressed by the Heads of State or Government. Mr ŠEMETA also pointed out that a firmer approach was needed on the question of tax avoidance and the instruments available to tackle it, referring to current and future discussions concerning Singapore and the Cayman Islands.

Lastly, on the question of sustainable growth in Europe, Mr ŠEMETA noted the benefits to be gained from encouraging targeted and profitable investment, for example in the renovation and modernisation of public and private buildings.

Mr HAHN stressed the importance of cohesion policy and co-financing in order to stimulate growth and employment in Europe and as a catalyst in areas where investment was weak. He also highlighted the value of sound investments, pointing here to the proposal to reallocate around €17 billion in unused amounts from the Structural Funds in order to tackle the crisis and boost investment, particularly in research and innovation, small and medium-sized enterprises, competitiveness, infrastructure and energy efficiency.

This was an opportunity to generate new impetus towards smart and inclusive growth and to send a clear signal to the public that Europe was able to invest and take concrete action in this field, in particular through the multiannual financial framework.

Mr HAHN wanted Member States to be given more encouragement to review their programming so that a better assessment could be made of what could or could not be reprogrammed as targeted investments, for example in microcredit or research. Lastly, he called for the establishment of new financial instruments, in close association with the EIB, with which cooperation should be stepped up.

The Commission then held an exchange of views focusing on the following main points:

– the need to maintain the Commission's role as the instigator of proposals, in a changing European political context, and to remind people constantly of the projects it had already put forward to boost growth, irrespective of changes in political majorities in one or other Member State;

– questions about the nature of the current economic slowdown and whether it constituted stagnation or recession, and the need to be realistic about the short-term growth prospects;

– the need to develop a European industrial policy that preserved domestic manufacturing capacity, and the importance of defining a strategy for financing small and medium-sized enterprises;

- the suggestion that, immediately after the major political meetings this spring, specific initiatives be put forward in areas where there was a high potential for job creation, such as energy efficiency, and the possibility of exploring, together with the EIB, the idea of setting up a programme for financing innovative projects in these fields;

- the need to adopt a more assertive tone with regard to other political players when communicating the measures taken by the Commission to restore growth, for example regarding the European patent and the development of broadband infrastructure;

- on education, the case for analysing at European level the lack of skilled labour in certain industries, in particular information and communication technologies, health services, social services and the green economy; accordingly, the importance in the European Semester of clearly identifying expenditure that was designed to support growth and to make investment in education and training a priority;

- the need to take into account the potential for growth in farming and the agri-food industry in the EU and to examine more closely how to make the best use of the common agricultural policy in order to encourage exports of agri-food products; a reminder too of the initiative designed to improve the system for promoting high-quality European agri-food products in non-member countries and the importance of such programmes in improving the export capacity of EU agri-food businesses and access to non-EU markets;

- the case for developing measures to encourage European businesses to launch risk-capital projects;

- the suggestion that public procurement procedures be used to increase the efficiency of European businesses and government departments;

- finally, as regards the particular situation in Greece, queries as to whether the timetable for implementing certain parts of the assistance programme could be relaxed, while recognising the pressing need for structural reforms.

Mr REHN thanked the other Members of the Commission for their contributions and assured them that many of their suggestions would be taken up in the Commission's policy action on stability and growth and in the documents Members would be examining at their meeting on 30 May.

He also noted that budgetary consolidation was a necessary part of the Stability and Growth Pact and its rules, like growth itself. As far as the Structural Funds were concerned, it was important in his view to set the priorities quickly, to target the sectors involved, particularly small and medium-sized enterprises, and to continue to work in close association with the EIB.

Finally, on the question of infrastructure projects, he expected an agreement to be reached between the Council and Parliament in July and consequently asked all of the Commission Members concerned to be ready to present proposals, for example on energy or transport, as soon as the legal basis had been adopted.

The PRESIDENT wound up the discussion by thanking the participants for the debate, which had helped to clarify the Commission's position in preparation for further examination of the various questions at forthcoming Commission meetings, notably on 30 May, when the package of recommendations related to the European Semester would be adopted.

He identified two important points on which agreement had now been reached: the Commission favoured an intelligent use of the Stability and Growth Pact, if necessary exploiting the adaptability it offered, and had agreed to present a growth initiative, without yet defining the legal form this would take. This initiative might accompany the new treaty on budgetary stability.

Turning to the content of this growth initiative, the PRESIDENT said it would be a matter of taking those Europe 2020 measures that could be implemented most immediately and translating them into specific commitments, specifically (i) an increase in the capital of the EIB in order to boost its financing capacity by €10 billion, to be used for investment in drivers for growth such as the development of small and medium-sized enterprises or energy efficiency in countries benefiting from a European assistance programme and elsewhere; (ii) efforts to optimise the use of Structural Funds, based on a realistic estimate of their impact; it was important here to have a clear idea of how to adapt the rules, and particularly the 'N + 2 rule'; (iii) the launch of the European project bonds initiative, particularly in the areas of broadband infrastructure, energy and transport; (iv) an agreement in the very near future on the 2013 budget and rapid agreement, before the end of 2012, on the multiannual financial framework for 2014-2020; (v) further work on the adoption of the financial transactions tax, and examination and discussion of proposals on how the proceeds might be used, for example for targeted investments and to recapitalise the banking sector; (iv) more intensive efforts by the European Union to combat tax avoidance and tax fraud and an examination of the scope for renegotiating agreements on this subject with a number of non-EU countries; and (vii) a second phase of the Single Market Act to tackle inequalities in access to the single market between Member States and the factors that dampen domestic demand and consumption in certain EU countries.

The PRESIDENT concluded by saying that the growth initiative should be included in medium and long-term political communications on the viability of the euro and European integration, with the emphasis being placed on the Commission's unfailing determination to preserve the integrity of the euro area.

The Commission took note of this information and the conclusions of the debate.

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The meeting closed at 13.21.