EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2014) 2088 final

- English language version of the French text which is authentic -

Brussels, 11 June 2014

TEXTE EN

MINUTES

of the 2088th meeting of the Commission

held in Brussels

(Berlaymont)

on Monday 2 June 2014

(morning)

TABLE OF CONTENTS

<u>Single sitting</u>: Monday 2 June 2014 (morning)

The sitting opened at 11.10 with Mr BARROSO, President, in the chair.

<u>Present</u>:

Mr BARROSO	President	
Baroness ASHTON	High Representative/ Vice-President	Items 7/8 (in part)
Ms REDING	Vice-President	
Mr ALMUNIA	Vice-President	
Ms KROES	Vice-President	
Mr TAJANI	Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Mr REHN	Vice-President	
Mr POTOČNIK	Member	
Mr PIEBALGS	Member	
Mr BARNIER	Member	
Ms VASSILIOU	Member	
Mr ŠEMETA	Member	
Mr DE GUCHT	Member	Items 7/8 (in part)
Ms GEOGHEGAN-QUINN	Member	
Mr LEWANDOWSKI	Member	
Ms GEORGIEVA	Member	
Mr OETTINGER	Member	
Mr HAHN	Member	
Ms HEDEGAARD	Member	
Mr FÜLE	Member	
Mr ANDOR	Member	
Ms MALMSTRÖM	Member	
Mr CIOLOȘ	Member	
Mr BORG	Member	
Mr MIMICA	Member	

Absent:

Mr KALLAS	Vice-President
Ms DAMANAKI	Member

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

Ms OEN	Deputy Chef de cabinet to Mr KALLAS	
Ms CHRISTOPHIDOU	Chef de cabinet to Ms DAMANAKI	

The following also sat in:

Mr LAITENBERGER	Chef de cabinet to the PRESIDENT	
Mr HETSCH	Deputy Director-General, Legal Service	
Mr PAULGER	Director-General, DG Communication	
Mr DOENS	Head of the Commission Spokesperson Service	
Ms AHRENKILDE HANSEN	Commission Spokeswoman	
Mr THEBAULT	Head of the Bureau of European Policy Advisers	
Mr CABRAL	Adviser hors classe in the PRESIDENT's office	Items 7/8 (in part)
Ms LUCAS	A member of the PRESIDENT's staff	
Mr KONIECKI	A member of the PRESIDENT's staff	
Mr PESONEN	Chef de cabinet to Mr REHN	
Mr LAHTI	Adviser in Mr REHN's office	
Mr SADAUSKAS	Chef de cabinet to Mr ŠEMETA	
Mr GIBERT-MORIN	Chef de cabinet to Mr ANDOR	
Ms WEYAND	Secretariat-General	
Mr HAAG	Secretariat-General	
Mr THOLONIAT	Secretariat-General	
Mr ZOUREK	Director-General, DG Taxation and Customs Union	

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

1. AGENDAS
(OJ(2014) 2088/FINAL; SEC(2014) 335/2)

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(2014) 2088)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Sunday 1 June.

3. MINUTES OF THE 2087TH MEETING OF THE COMMISSION (28 MAY)

The Commission held over approval of the minutes of its 2087th meeting for the following week.

4. INTERINSTITUTIONAL RELATIONS

4.1. LEGISLATIVE MATTERS

i) New proposal for a Directive facilitating the cross-border exchange of information on road safety related traffic offences
(SI(2014) 233)

The Commission approved the line set out in SI(2014) 233.

ii) Amendment of Directive 96/53/EC of 25 July 1996 laying down for certain road vehicles circulating within the Community the maximum authorised dimensions in national and international traffic and the maximum authorised weights in international traffic (Directive) – LEICHTFRIED report – 2013/0105 (COD)

The Commission approved the line set out in SI(2014) 237.

iii) Fourth Railway Package – European Union Agency for Railways and repeal of Regulation (EC) 881/2004 (Regulation) – ZĪLE report – 2013/0014 (COD) / Interoperability of the rail system within the European Union (Directive – recast) – BILBAO BARANDICA report – 2013/0015 (COD) / Railway safety (Directive – recast) – CRAMER report – 2013/0016 (COD)

The Commission approved the line set out in SI(2014) 238/2.

4.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

iv) Programming of Council business
(SI(2014) 242)

The Commission took note of the information in SI(2014) 242 on the Council meetings between 5 and 18 June.

5. MONITORING THE APPLICATION OF EUROPEAN UNION LAW

INFRINGEMENTS – URGENT INDIVIDUAL CASE
(SEC(2014) 348)

The Commission adopted the decision in SEC(2014) 348.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED (SEC(2014) 336 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 26 and 28 May.

6.2. EMPOWERMENT (SEC(2014) 337 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 26 and 28 May.

6.3. DELEGATION AND SUBDELEGATION OF POWERS (SEC(2014) 338 ET SEQ.)

The Commission took note of the Secretariat-General’s memoranda recording decisions adopted under the delegation and subdelegation procedure between 26 and 28 May, as archived in e-Greffe.

6.4. SENSITIVE WRITTEN PROCEDURES (SEC(2014) 339 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 2 and 6 June and of the finalisation written procedures initiated following the weekly meeting of Chefs de cabinet on 1 June.

7. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE, AND THE COMMITTEE OF THE REGIONS – 2014 EUROPEAN SEMESTER – COUNTRY-SPECIFIC RECOMMENDATIONS – BUILDING GROWTH
(COM(2014) 400 AND /2; RCC(2014) 48)

8. COMMISSION RECOMMENDATIONS FOR COUNCIL RECOMMENDATIONS CONCERNING THE MEMBER STATES' 2014 NATIONAL REFORM PROGRAMMES AND DELIVERING A COUNCIL OPINION ON THE MEMBER STATES' STABILITY AND CONVERGENCE PROGRAMMES FOR 2014, AND REGARDING THE IMPLEMENTATION OF THE BROAD GUIDELINES FOR THE ECONOMIC POLICIES OF THE MEMBERS STATES WHOSE CURRENCY IS THE EURO
(COM(2014) 401; COM(2014) 402; COM(2014) 403 AND /2; COM(2014) 404 AND /2; COM(2014) 405; COM(2014) 406; COM(2014) 407; COM(2014) 408; COM(2014) 410 AND /2; COM(2014) 411 AND /2; COM(2014) 412 TO /3; COM(2014) 413 AND /2; COM(2014) 415; COM(2014) 416; COM(2014) 417 AND /2; COM(2014) 418 AND /2; COM(2014) 419 AND /2; COM(2014) 420; COM(2014) 421; COM(2014) 422 AND /2; COM(2014) 423 AND /2; COM(2014) 424 AND /2; COM(2014) 425 AND /2; COM(2014) 426 AND /2; COM(2014) 427; COM(2014) 428 AND /2; COM(2014) 429 AND /2; SWD(2014) 401 AND /2; SWD(2014) 402; SWD(2014) 403; SWD(2014) 404; SWD(2014) 405; SWD(2014) 406; SWD(2014) 407; SWD(2014) 408; SWD(2014) 409; SWD(2014) 410; SWD(2014) 411; SWD(2014) 412; SWD(2014) 413; SWD(2014) 414; SWD(2014) 415; SWD(2014) 416; SWD(2014) 417; SWD(2014) 418; SWD(2014) 419; SWD(2014) 420; SWD(2014) 421; SWD(2014) 422; SWD(2014) 423; SWD(2014) 424;

SWD(2014) 425; SWD(2014) 426; SWD(2014) 427; SWD(2014) 428; SWD(2014) 429; RCC(2014) 48)

The PRESIDENT began by stating that with the adoption of the fourth set of country-specific recommendations under the 2014 European Semester, the Commission could claim to have successfully helped the Member States out of the crisis, thanks to these strengthened instruments of governance and economic monitoring. He noted that the worst appeared to be over for the European economy, which seemed to have resumed a positive trajectory. However, he recognised that not all challenges had been addressed – far from it – and that it was no time to be complacent. He stressed the urgency at this stage of stimulating the real economy, growth and employment, without relaxing the ongoing reform efforts or slowing down their implementation.

He presented the 2014 recommendations, starting with the announcement of some good news. He gave a special mention to the considerable progress made in terms of budgetary consolidation, saying that deficits had been halved and debt levels stabilised. For this reason, the Commission was able to propose closing the excessive deficit procedures for Austria, Belgium, the Netherlands, the Czech Republic, Slovakia and Denmark. He added that with the consolidation of public finances since 2011 the Commission was now in a position to recommend measures for stimulating growth, employment and competitiveness, as well as offering the Member States greater scope for making productive investments.

The 2014 country-specific recommendations as a whole reflected the main priorities set in the Annual Growth Survey, approved by the European Parliament and the European Council, by adapting them to the real situation in each Member State in order to contribute to an upward convergence of their economies, which were by their nature interdependent.

The country-specific recommendations for this year emphasised the continuation of structural reforms to improve growth and job creation factors and strengthen the national economies' capacity to adapt. These reforms were necessary because of the persistent high unemployment rate and the need for businesses to develop, which was why they also targeted elements of tax systems that discouraged economic activity and hiring staff.

The PRESIDENT also stressed that this year's country-specific recommendations highlighted the concept of fairness, by dealing with unemployment, and in particular long-term and youth unemployment. Even if job losses had now stabilised, it would take time for the situation to improve, which was why it was recommended that Spain, Italy and France, for example, should continue to reform their labour markets, and that most Member States should raise the quality both of their active labour market policies and of their public employment services; the structural funds would contribute to these efforts at the start of this new programming period.

He also noted that the economic adjustments provoked by the crisis had unfortunately had an impact on the level and incidence of poverty, especially in the most fragile Member States. For this reason, the Commission's recommendations placed greater emphasis on the structural nature of some categories of unemployment, on obstacles to access to education and healthcare, and on some tax benefit schemes which disproportionately penalised the most vulnerable.

Finally, he mentioned that this cycle of economic governance, although important, related exclusively to economic policy issues, without prejudice to other policy tools. He added that a complicating factor was that the Commission's recommendations must not be perceived as excessive interference in the economic life of the Member States, nor be too prescriptive as to the choice of solutions, whilst recognising the progress made and encouraging the Member States to go still further.

The PRESIDENT concluded by saying that the Member States were preparing to receive and follow the recommendations calling on them to continue the unprecedented structural reforms undertaken in the past few years, so that they could bear fruit. He considered that policy coordination under the European Semester would from now on take the place of market pressure in encouraging the reforms required for growth and job creation in the Union, within a legal framework that had been transformed very rapidly and had already proved its worth.

He thanked the Members of the Commission responsible for these matters and their Cabinets and departments for the considerable amount of work completed year after year, for strengthening the Commission's analytical capabilities and its information-base on the situation in the Member States, and for the detailed and targeted advice that they enabled the Commission to provide.

Mr REHN welcomed the fact that the European Semester economic policy process was now well-established and regarded as equally beneficial to both the Union and the Member States. The reforms at both Union and national level were clearly starting to bear fruit.

For the first time since the introduction of the European Semester the recommendations this year were made against a favourable economic backdrop, even though growth remained weak and there was still a danger that any let-up in the reform efforts might trigger a resurgence of the effects of the crisis. Mr REHN then mentioned the general lessons to be learned from the 2014 European Semester exercise which had served as a basis for the country-specific recommendations.

He noted first that growth was picking up everywhere, even in the most vulnerable Member States, and investment was recovering. Although unemployment remained high, the labour market had stabilised, promising an improvement by the end of the year. Secondly, the situation on the financial markets had improved and the credit markets should become less fragmented. Thirdly, thanks to the reversal of the trend in public deficits and improved competitiveness, the Union's external vulnerabilities had been reduced. Inflation was forecast to remain low in the long term, but should nevertheless pick up gradually as the economy recovered.

Despite these positive signs, Mr REHN stressed that the adjustments would take time and the recovery would be only gradual. The crisis had lasted several years, and other structural changes were needed specifically to stimulate growth and create jobs, while it was important not to lose sight of the major longer-term challenges, such as globalisation, the ageing population, energy security and climate change.

Turning to the budgetary situation, he noted that consolidation had continued in 2013 in line with the differentiated approach adopted, and that most Member States had reached the targets set for their deficits. As a result, the Commission was recommending to the Council that six Member States – Austria, Belgium, the Czech Republic, Denmark, Slovakia and the Netherlands – be taken out of the excessive deficit procedure, a year earlier than anticipated. For the record, he reminded Members that only three countries – Estonia, Luxembourg and Sweden – had never been in an excessive deficit situation at all during the crisis.

In the case of Croatia and Poland, two countries which were still subject to the excessive deficit procedure, the Commission had evaluated the implementation of the most recent recommendations and concluded that, although no additional measure seemed to be necessary under the current procedures, both Member States would have to include further structural adjustment measures in their draft budget for next year in order to comply with the Council's recommendation.

Finally, Mr REHN noted that France and Slovenia had been informed in March that they ran the risk of failing to fulfil their obligations under the excessive deficit procedure and that this would continue to be the case up until 2015. The risk remained a very real one, and both of these Member States would have to take additional measures in 2014 and in their draft budget for 2015.

On a more general level, he reported that as of this spring 17 Member States were no longer in an excessive deficit situation. Nevertheless the obligations under the preventive provisions of the Stability and Growth Pact still had to be met. In particular, the first recommendation, which concerned many Member States, was to reduce deficits in order to attain the medium-term fiscal objectives, this being an essential pre-condition for reducing the still high levels of debt or avoiding a return to excessive deficit procedures.

As regards the procedure in the event of macroeconomic imbalances, Mr REHN said that the Commission had examined in detail the plans submitted by the Member States with excessive imbalances. The reform programmes presented by Italy, Slovenia and Croatia were sufficiently ambitious and specific as not to require corrective measures at this stage, although these three Member States – like France and Ireland – remained subject to special monitoring.

Overall, Europe had embarked on a major recovery programme after years of general misallocation of resources before the crisis. The reforms involved making economies more flexible, allowing more efficient transfers of resources and thereby promoting the creation of better jobs. The aim was at the same time to ensure the viability of pension systems, despite the unfavourable demographic trend, to give citizens and businesses access to affordable energy and to meet the challenges associated with climate change.

He believed that the Commission's recommendations were sufficient, specific and detailed, and particularly so in the case of the Member States that were subject to special monitoring and those in which implementation of the measures had fallen behind schedule. However, he anticipated that these recommendations would once again touch a nerve in the Member States concerned, although they would hardly come as a surprise, given the continuous dialogue between the Commission and the national governments which had preceded them.

The Member States would now discuss amongst themselves the recommendations addressed to them. Mr REHN stressed the importance of this debate. He felt that the main communication conveyed the essential message while presenting the exercise in a broader political context and giving an objective account of the collective efforts made by the Union over the past few years to recover from the crisis.

Mr ŠEMETA then presented the tax-related aspects of the Commission's recommendations under the 2014 European Semester, which he described as being motivated by a desire for both fairness and competitiveness.

He was pleased that, according to the Commission's analysis, the tax reforms undertaken in the Union were generally heading in the right direction, although much remained to be done. He stressed in particular that, while tax reform and deficit reduction were still important goals for the Member States, the creation of an environment that was conducive to jobs and growth was gradually becoming a priority.

In this context, Mr ŠEMETA highlighted three main strands in the recommendations relating to taxation, the first of which was to reduce the tax burden on labour. With 26 million unemployed, the Union could no longer afford to have rates of labour taxation that were higher than in the other members of the Organisation for Economic Cooperation and Development (OECD). He noted that two thirds of the Member States had implemented the previous recommendations on this point by introducing targeted reductions in labour taxes, particularly those levied on the lowest wages. However, these efforts would have to continue, and this year the Commission was making recommendations to that effect to 12 Member States. Moreover, in order to guarantee budgetary neutrality, the burden should be shifted towards potential revenue streams that had no negative impact on growth, such as environmental taxes, property tax and taxes on consumption.

Secondly, Mr ŠEMETA spoke of the need to boost the Union's competitiveness by simplifying the Member States' tax systems through the gradual elimination of tax exemptions and allowances which not only reduced national revenue but also created complex administrative difficulties for businesses, particularly in relation to value added tax (VAT). This was the justification for the recommendation made to 11 Member States to broaden their tax base and make their tax collection systems more efficient. He stressed, however, that such reforms need not necessarily result in an increase in the standard rate of VAT, as the efficiency gains made could in some cases lead to rates being reduced.

Thirdly, Mr ŠEMETA said that despite the efforts already deployed to combat tax fraud and evasion, many Member States could do more, hence the recommendations along these lines to 16 of them. He regarded the practice of aggressive tax optimisation, whereby certain multinationals took advantage of the lack of harmonisation of tax systems to substantially reduce their tax burden, as a threat to the single market. It was also a threat to those Member States which allowed it and whose tax regimes might be called into question following the current investigation by the relevant international bodies. He was convinced that in the longer term the viability of public finances could not depend on unstable tax regimes which might disappear in the forthcoming reform of international tax standards.

He concluded by noting that the Member States were increasingly aware that growth-friendly tax systems were a prerequisite for establishing a climate of economic confidence and a key element in the range of policies to promote competitiveness and job creation.

Mr ANDOR then spoke about the social effects of the crisis, which were still being severely felt in some regions of the Union, even though there were now clear signs of recovery. He noted that there was a time-lag between these positive signs and any tangible improvement on the labour market and that there were also a number of aggravating factors at work, for example the climate was not conducive to investment and demand in the euro area was still relatively weak. Not only were there some 26 million people unemployed in the Union as a whole, with 13 million of them having been out of work for over a year, but nearly a quarter of the European population was on the verge of poverty or social exclusion. This year, for the first time, the European Semester included a scoreboard of key social and employment indicators, which showed that while Member States had made some progress in implementing social reforms, they would have to step up their efforts if the recovery were to lead to the creation of jobs and more social inclusion.

He then went through the main points of the country-specific recommendations for 2014 relating to employment and social affairs. First, he noted that the youth unemployment rate was still very high and that the Member States were trying to respond to this, for example by implementing the Youth Guarantee. Against this background 18 Member States were receiving recommendations concerning the transition from education to working life. As regards the practical difficulties encountered in setting up the Youth Guarantee, he felt that more targeted measures were needed in eight Member States where the proportion of young people not in employment, education or training (the NEET rate) was higher than the EU average.

On the subject of long-term unemployment, he referred to the recommendations made to a number of Member States to encourage more effective and better targeted active labour market policies, emphasising in particular the importance of reforming public employment services.

He then noted that the reforms recommended for enhancing the resilience and the functioning of the labour market had been maintained this year, since segmentation of the labour market and job precarity remained significant or had even increased, resulting in a whole host of detrimental consequences for both productivity and human capital.

On the sensitive issue of wage-setting systems, Mr ANDOR observed that the country-specific recommendations reflected both the complexity and the diversity of the situations prevailing within the European Union. Indeed, for certain Member States, the Commission was advocating an increase in the minimum wage to stimulate domestic demand and consumer spending, whereas, for others, it recommended, for example, a rethink of the wage indexation systems in order to encourage job creation. He added that, generally, trends in wage levels should follow the productivity curve in order to avoid any imbalances.

On the broader issue of inequality, poverty and social exclusion in Europe, he said that recommendations had been addressed to 12 Member States this year. He suggested keeping in the 2014 country-specific recommendations explicit reference to the objective of reducing poverty for three Member States where poverty levels remained particularly high – Bulgaria, Romania and Hungary. He pointed out that, in certain cases, the 2014 recommendations concerned the suitability of social safety nets, above all for people who had exited or were excluded from the labour market. This involved unemployment benefits and social assistance, as well as the transition from income support to employment, along with the reduction in child poverty and, in the case of some Member States, measures aimed at improving the situation of the Roma.

To close, Mr ANDOR reiterated the need to view the analysis and recommendations within the framework of the European Semester against the broader backdrop of the 'Europe 2020' programme. In view of this, he emphasised the necessary continuity of the measures relating to employment and social affairs policies from one year to the next, *inter alia* to ensure the social cohesion required for a return to sustainable and inclusive growth.

The Commission engaged in an in-depth discussion of the proposals. It raised the following main points:

The main Communication

– the quality and credibility of the considerable work carried out by the Commission in the context of this exercise; the balanced nature of the overall message; the care to be taken in recording the results achieved since the last European Semester; a reminder of the current challenge, which consisted of moving from a crisis resolution programme to a growth programme, without, however, forgetting that the crisis was not yet entirely over and that the economic situation remained vulnerable;

– a call for a clear message to be sent out on the goal targeted by the European Union through European economic governance; the need for the Commission to reiterate the responsibility upon it to issue advice to

Member States to guide and support them;

- the case for doing everything possible to encourage political ownership of the recommended reforms by the governments concerned; the importance of not discouraging Member States, while taking account of the way that messages were perceived by public opinion in those countries; for others, the stress was on the interest in not diluting the message or masking real problems, even if that meant clearly pointing to those Member States which were not doing enough or not doing anything, providing this was backed up by a solid basis of arguments and objective data;

- the need to ensure that the recommendations were consistent with the European Union's long-term strategies, in particular the Europe 2020 strategy;

- the importance, for some, of taking account of the results of the European elections, which expressed both discontent with a Europe that was viewed as being overly intrusive and prescriptive, and a wish for more energetic and urgent action in favour of growth and employment, since the main Communication would be regarded as a political response to the elections;

- for others, the key in responding to the eurosceptic vote was precisely to highlight the message of the European Semester for what it was, i.e. an instrument of economic governance based on a partnership between the Commission and the Member States, which was focused on the most urgent economic priorities, in this case employment, the leading concern of Europe's citizens, as well as competitiveness, and which offered a real strategy for achieving tangible results; for others still, the important thing was to make a clear distinction between the European Semester and the outcome of the European elections, especially the rise of anti-European movements in certain Member States;

- a suggestion to focus more clearly on the social dimension of the crisis in the main Communication, with the harm caused to European society by unemployment and the increase in inequality, and more importantly the rise in poverty, including child poverty; the need to take all the measures necessary to sustain growth in the short and the long term; with this in mind, the importance of highlighting all the means of stimulating the real economy in Europe;

- the need to support public investment, in particular in infrastructure or research and innovation, areas where investment had declined sharply in certain Member States; the importance, nonetheless, of not underestimating the difficulties faced by the Member States that were being asked to make extra efforts;

- on the subject of investment, a reminder of the Commission's proposals on the creation of European bonds to fund joint projects, such as in the digital industry; highlighting the possibility of combining structural funds with loans from the European Investment Bank (EIB);

- a suggestion that a recommendation should be made as to the interpretation of the Stability and Growth Pact, especially on the question of the investment clause, to enable the Commission to assess the circumstances in which public investment in the form of co-financing with the European structural funds might possibly be excluded from the calculation of a Member State's government debt; the fact that, for the majority of Members, approving a relaxation of the rules of the Stability and Growth Pact would on the contrary send out the wrong signal; a warning against a radical change of approach, involving a revision of the Stability and Growth Pact and the legislative framework associated with it, to say nothing of the statistical rules and existing practices, which would open the way for Member States to maintain their endebtedness; emphasis on the obligation to comply with the absolute criterion of a budget deficit of less than 3% of gross domestic product;

- regret that the main communication did not say more about the introduction of the appropriate macroeconomic policy mix, given that government debt could not be rectified quickly if the combination of these measures was not right; although the question of the current balance of payments deficits seemed to have more or less stabilised, an insistence on the fact that in some Member States private debt had been transferred to public debt, hence the need to avoid relaxing the application of the Stability and Growth Pact; the observation that private investment in the EU was insufficient, even though the means of remedying this situation lay primarily with the European Central Bank (ECB);

- support for the ultimate goal of helping to bring about tax harmonisation in the EU to strengthen the European economy;

- on the particularly sensitive issue of tax optimisation, whereby multinational companies could reduce their overall tax burden by taking advantage of the way in which tax arrangements varied from one Member State to another, the suggestion, supported by a majority of speakers, that the need to recognise the existence of the problem and the fact that it was incompatible with the internal market should be stressed, and corrective measures adopted at both national and European level; others also supported the idea of obliging the Member States concerned to face up fully to their responsibilities; in addition, the suggestion that it would be better to adopt the terminology used by the relevant international organisations, such as the OECD, namely 'tax base erosion and profit shifting';

- the possibility, in this connection, for the Commission to make use of the State aid monitoring instrument to remedy the legislation of certain Member States that encouraged tax optimisation by large extra-Community groups; similarly, contacts with certain governments to ensure that loopholes in their tax legislation did not attract such groups;

- emphasis on the benefits of the European Semester as an example of the reforms to be introduced by candidates or potential candidates for accession to the EU and for countries covered by the European Neighbourhood Policy;

Country-specific recommendations

- the fact that a good balance had been achieved in the country-specific recommendations between encouraging countries to press ahead with structural reform and political realism; support for the emphasis placed on growth and employment; the case for defining fewer priorities based on their urgency;
- doubts regarding the level of detail of some recommendations;
- the desire to avoid creating the impression – wrongly, in some cases – that because recommendations made in 2013 had not been repeated in 2014 the Member States concerned had implemented them in their entirety;
- the wish to put the emphasis on the fight against poverty in the recommendations to the Member States worst affected;
- with regard to research, the suggestion that greater emphasis be placed on the recommendations to Portugal concerning the conversion of its scientific capabilities into innovation, and on the recommendations to Slovakia on the strengthening of its scientific base;
- regret that certain aspects had not been given sufficient prominence, such as (i) the importance of investment in the digital economy and broadband networks for future economic development and competitiveness, or (ii) the encouragement of behaviour promoting sustainable economic and social development through more visible integration of the environmental dimension.

Replying to the various comments by Members of the Commission, Mr REHN supported the idea that, despite technical problems, the fight against tax fraud formed an integral part of the recommendations and had been mentioned as explicitly as possible, stressing that it was essential from the point of view both of social justice and civic duty.

He also approved the addition of a reference to the convergence programmes of certain Member States provided that, in the interests of consistency, it accompanied a reference to the balance of payment deficit reduction programmes.

Mr ŠEMETA, for his part, returned to the question of the harmonisation of company tax, referred to during the discussion. He reminded the meeting that a proposal tabled by the Commission in 2011 was currently before the Council and stressed that agreement on this matter would mark a considerable step forward in the fight against tax optimisation. He also stressed the importance for the EU of meeting citizens' expectations in this area; these had recently come to the fore in the European election campaign.

Mr ANDOR highlighted the direct interaction between the objectives of fighting poverty, exclusion and social inequality, on the one hand, and wage setting systems, on the other, and fiscal policy. Returning to the key issue of how the country-specific recommendations would be received by both the Member States and European citizens, he pointed out that the complementarity between the measures advocated by the EU and the economic and social objectives of the Member States must be systematically demonstrated, and that the country-specific recommendations acted as a catalyst in supporting the achievement of the national objectives.

The PRESIDENT thanked the Commission Members for their contributions to this in-depth discussion. There had been considerable agreement both on the quality of the work carried out by the Commission's departments in connection with this highly important exercise, and on the overarching message that the European economies were continuing to stabilise, the financial crisis itself no longer posed a threat to the existence of the euro and the priority from now on was to invest in growth and employment.

On the important question of a more flexible and political interpretation of the Stability and Growth Pact, he noted that most of the Commissioners were not in favour, but suggested referring in the main communication to the investment problems being encountered by the Member States. He pointed out that the EU could support renewed public investment through other instruments, for example project bonds or EIB loans.

With regard to the private investment gap in the EU and the need to close this gap, he said that this was attributable to the fragmentation of the financial markets, while pointing out that beyond budgetary policy, it was the ECB that held the keys in this matter.

As regards tax optimisation, he noted that the discussion was not about whether or not to raise this problem, which required the utmost attention both in the Member States and at EU level, but about the degree of detail adopted. He suggested amending the wording accordingly in the main communication.

In conclusion, the PRESIDENT noted that these proposals had the full support of the Commission, which agreed to make the following amendments to the English-language versions of the Communication distributed as COM(2014) 400/2, and the recommendations concerning Bulgaria, Hungary, Romania, Slovakia and Portugal set out respectively in COM(2014) 403/2, COM(2014) 418/2, COM (2014) 424/2, COM(2014) 426/2 and COM(2014) 423/2:

In COM(2014) 400/2:

– **on page 7, in Chapter 2, 'Overall Context', the following three sentences were added at the end of the first paragraph:**

'*More attention should be given to other instruments at European level that have already been proposed at EU level, e.g. European project bonds and the possibility of blending structural funds and EIB loans. Critically important is the need to relaunch private investment. For this to happen, other decisions, beyond fiscal policy, are needed. This requires the issue of financial fragmentation in the EMU to be addressed.*';

- **on page 9, in the section '*Pursuing differentiated, growth-friendly fiscal consolidation*', the following sentence was added after the second sentence of the last paragraph:**

  '*This issue requires more intensive and urgent attention by Member States and at European level.*';

- **in the same paragraph, the last sentence now read as follows:**

  '*Some Member States need to reflect on ways to maintain revenue sustainability in anticipation of EU and international efforts to address base erosion and profit-shifting and should review their tax conventions to strengthen anti-abuse mechanisms.*';

- **on page 13, in the section '*Tackling unemployment and the social consequences of the crisis*', the third paragraph was moved to after Table No 2;**

In COM(2014) 403/2:

- **on page 7, the last sentence of point 3 now read as follows:**

  '*In order to alleviate poverty, further improve the accessibility and effectiveness of social services and transfers for children and older people.*';

In COM(2014) 418/2:

- **on page 7, the last sentence of point 4 now read as follows:**

  '*In order to alleviate poverty, implement streamlined and integrated policy measures to reduce poverty significantly, particularly among children and Roma.*';

In COM(2014) 424/2:

- **on page 7, the first sentence of point 2 now read as follows:**

  '*Implement the budgetary strategy for 2014, significantly strengthen the budgetary effort to ensure reaching the medium-term objective in 2015 in line with commitments under the Balance of Payments programme and as reflected in the 2014 convergence programme, in particular by specifying the underlying measures, and remain at the medium-term objective thereafter.*';

- **on page 7, the first sentence of point 6 now read as follows:**

  '*In order to alleviate poverty, increase the efficiency and effectiveness of social transfers, particularly for children, and continue reform of social assistance, strengthening its links with activation measures.*';

- **on page 7, the last sentence of point 7 now read as follows:**

  '*Continue to improve the quality and efficiency of the judicial system, fight corruption at all levels, and ensure the effective implementation of court decisions.*';

In COM(2014) 426/2:

- **on page 6, the fourth sentence of point 4 now read as follows:**

  '*Improve the quality and relevance of the science base and implement plans to foster effective knowledge transfer and co-operation between academia, research and business.*';

In COM(2014) 423/2:

- **on page 8, the following sentence was added at the end of point 4:**

  '*Enhance cooperation between public research and business and foster* *knowledge transfer.*'

Subject to inclusion of the above amendments in the corresponding documents and to a final linguistic revision of all the above-mentioned documents, the Commission:

- adopted the communication in COM(2014) 400/2;
- adopted the recommendations for Council Recommendations in COM(2014) 401, COM(2014) 402, COM(2014) 403/2, COM(2014) 404/2, COM(2014) 405, COM(2014) 406, COM(2014) 407, COM(2014) 408, COM(2014) 410/2, COM(2014) 411/2, COM(2014) 412/3, COM(2014) 413/2, COM(2014) 415, COM(2014) 416, COM(2014) 417/2, COM(2014) 418/2, COM(2014) 419/2, COM(2014) 420, COM(2014) 421, COM(2014) 422/2, COM(2014) 423/2, COM(2014) 424/2, COM(2014) 425/2, COM(2014) 426/2, COM(2014) 427, COM(2014) 428/2 and COM(2014) 429/2;
- decided to send the Communication and the Recommendations to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions and, for information, to the national parliaments, together with the staff working documents on the evaluation of the national reform programmes for 2014, the Member States' stability or convergence programmes and the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro, as set out in SWD(2014) 401/2, SWD(2014) 402, SWD(2014) 403, SWD(2014) 404, SWD(2014) 405, SWD(2014) 406, SWD(2014) 407, SWD(2014) 408, SWD(2014) 409, SWD(2014) 410, SWD(2014) 411, SWD(2014) 412, SWD(2014) 413, SWD(2014) 414, SWD(2014) 415, SWD(2014) 416, SWD(2014) 417, SWD(2014) 418, SWD(2014) 419, SWD(2014) 420, SWD(2014) 421, SWD(2014) 422, SWD(2014) 423, SWD(2014) 424, SWD(2014) 425, SWD(2014) 426, SWD(2014) 427, SWD(2014) 428 and SWD(2014) 429, the contents of which were noted.

The Commission also noted that a number of written procedures would expire that day: these concerned the excessive deficit procedures relating to Austria (PE/2014/3678), Belgium (PE/2014/3680), Denmark (PE/2014/3677), Finland (PE/2014/3675), Poland and Croatia (PE/2014/3674), the Netherlands (PE/2014/3676), the Czech Republic (PE/2014/3679) and Slovakia (PE/2014/3681).

*

*   *

The meeting closed at 13.36.