EUROPEAN COMMISSION

SECRETARIAT-GENERAL

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Strasbourg, 22 November 2016

TEXTE EN

<u>MINUTES</u>

of the 2188th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 9 November 2016

(morning)

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<u>Single sitting</u>: Wednesday 9 November 2016 (morning)

The sitting opened at 10.27 with Mr JUNCKER, President, in the chair.

<u>Present</u>:

Mr JUNCKER	President	
Mr TIMMERMANS	First Vice-President	
Ms MOGHERINI	High Representative / Vice-President	Items 1 to 9 (in part), 10 and 11
Ms GEORGIEVA	Vice-President	
Mr ANSIP	Vice-president	
Mr ŠEFČOVIČ	Vice-president	
Mr DOMBROVSKIS	Vice-president	
Mr KATAINEN	Vice-president	
Mr OETTINGER	Member	Items 1 to 11
Mr HAHN	Member	Items 1 to 10 (in part)
Ms MALMSTRÖM	Member	
Mr MIMICA	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	
Mr AVRAMOPOULOS	Member	
Ms THYSSEN	Member	
Mr MOSCOVICI	Member	Items 1 to 11 (in part)
Mr STYLIANIDES	Member	
Ms BULC	Member	
Ms BIEŃKOWSKA	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms CREȚU	Member	Items 1 to 11
Ms VESTAGER	Member	

Mr MOEDAS	Member	
Sir Julian KING	Member	Items 10 to 13

Absent:

Mr HOGAN	Member

The following sat in to represent an absent Member of the Commission:

Ms SIRACUSA	Deputy Chef de cabinet to Mr HOGAN	

The following also sat in:

Mr SELMAYR	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr PESONEN	Director-General, DG Communication	
Mr SCHINAS	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	Items 1 to 11 (in part)
Ms ANDREEVA	Commission Spokesperson's Service	
Ms METTLER	Head of the European Political Strategy Centre	
Ms MARTÍNEZ ALBEROLA	Deputy Chef de cabinet to the PRESIDENT	
Mr SZOSTAK	Adviser in the PRESIDENT's Office	Item 10
Mr THOLONIAT	Adviser in the PRESIDENT's Office	Item 11
Mr DELVAUX	Adviser in the PRESIDENT's Office	Items 12 and 13
Ms SILLAVEE	PRESIDENT's Office	
Mr WYNANDS	Chef de cabinet to Mr DOMBROVSKIS	Item 11
Mr BANNERMAN	Expert in Mr KATAINEN's Office	Items 12 and 13
MR GIL TERTRE	A member of Mr KATAINEN's staff	Item 11
Mr KARNITSCHNIG	Chef de cabinet to Mr HAHN	Items 1 to 10 (in part)
Mr HERMANS	Chef de cabinet to Ms THYSSEN	Item 11
Mr BAILLY	Chef de cabinet to Mr MOSCOVICI	Item 11 (in part)
Mr FELKE	Deputy Chef de cabinet to Mr MOSCOVICI	Items 11 (in part) to 13

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

1. AGENDAS
(OJ(2016) 2188/FINAL; SEC(2016) 447)

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(2016) 2188)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 7 November.

3. APPROVAL OF THE MINUTES AND THE SPECIAL MINUTES OF THE 2184TH MEETING OF THE COMISSION (4 OCTOBER 2016) AND THE MINUTES OF THE 2186TH AND 2187TH MEETINGS OF THE COMMISSION (19 AND 25 OCTOBER 2016)
(PV(2016) 2184; PV(2016) 2184, 2ND PART)

The Commission approved the minutes of its 2184th meeting, and decided to hold over for one week approval of the minutes of its 2186th and 2187th meetings.

4. INTERINSTITUTIONAL RELATIONS (RCC(2016) 130)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 4 November (RCC(2016) 130).

It paid particular attention to the following points.

4.1. LEGISLATIVE MATTERS

i) Council dossiers

(point 3.3 of the IRG record)

– Fixing for 2017 and 2018 of the fishing opportunities for EU vessels for certain deep-sea fish stocks (Council Regulation) – 2016/0313 (NLE)

The Commission approved the line set out in SI(2016) 413.

– Amendment of Regulation (EC, Euratom) 480/2009 establishing a Guarantee Fund for external actions (Regulation) – 2016/0274 (COD)

The Commission approved the line set out in SI(2016) 416/2.

– Amendment of Decision 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (Decision) – GARDIAZABAL RUBIAL report – 2016/0275 (COD)

The Commission approved the line set out in SI(2016) 417/2.

– Amendment of Regulations (EU) 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that

Fund and the European Investment Advisory Hub (Regulation) – 2016/0276 (COD)

The Commission approved the line set out in SI(2016) 426.

4.2. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

ii) Programming of Council business
(SI(2016) 425; SI(2016) 427)

The Commission took note of the information in SI(2016) 425 and SI(2016) 427 on the Council meetings between 10 and 30 November.

iii) Non-legislative dossiers
(point 4.1 of the IRG record)

– *A renewed EU-Africa Sustainable Energy Partnership – Working together toward sustainable energy*

The Commission approved the line set out in SI(2016) 418 and /2.

– Negotiations for an Agreement between the European Union and Norway on administrative cooperation, combating fraud and recovery of claims in the field of value-added tax.

The Commission approved the line set out in SI(2016) 419.

– The signature, on behalf of the European Union, of a Framework Agreement between the European Union and Kosovo[1] on the general principles for the participation of Kosovo in Union programmes /

[1] This designation is without prejudice to positions on status, and is in line with UN Security Council Resolution 1244/1999 and the International Court of Justice Opinion on the Kosovo declaration of independence.

Conclusion of a Framework Agreement between the European Union and Kosovo on the general principles for the participation of Kosovo in Union programmes (Council Decisions) – 2013/0114 (NLE) / 2013/0115 (NLE)

The Commission approved the line set out in SI(2016) 423.

4.3. RELATIONS WITH PARLIAMENT

iv) Non-legislative dossiers
(point 5.1 of the IRG record)

– Committee of Inquiry into Money Laundering, Tax Avoidance and Tax Evasion (PANA) – Preparation of the exchange of views with Ms JOUROVÁ on 8 November 2016.

The Commission approved the line set out in SP(2016) 719 and took note of the written questions and the speaking points in the annex to that document.

– Committee of Inquiry into Emission Measurements in the Automotive Sector (EMIS) – Preparation of the hearing of Mr DELBEKE, Director-General of DG Climate Action, on 8 November 2016 – Preparation of written answers

The Commission approved the line set out in SP(2016) 721 and /2 and took note of the written questions and the speaking points in the annex to those documents.

– Committee of Inquiry into Emission Measurements in the Automotive Sector (EMIS) – Preparation of the hearing of Mr Heinz ZOUREK, former Director-General of DG Enterprise and Industry, on 8 November 2016 – Preparation of written answers

The Commission approved the line set out in SP(2016) 724 and took note of the written questions in the annex to that document.

– Committee of Inquiry into Emission Measurements in the Automotive Sector (EMIS) – Preparation of the hearing of Mr PETTINELLI, Director in DG Internal Market, Industry, Entrepreneurship and SMEs and former Director in DG Enterprise and Industry, on 8 November 2016 – Preparation of written answers

The Commission approved the line set out in SP(2016) 723 and /2 and took note of the written questions and the speaking points in the annex to those documents.

– Committee of Inquiry into Emission Measurements in the Automotive Sector (EMIS) – Preparation of the hearing of Mr CALLEJA CRESPO, Director-General of DG Environment and former Director-General of DG Enterprise and Industry, on 14 November 2016 – Preparation of written answers

The Commission approved the line set out in SP(2016) 720 and /2 and took note of the written questions in the annex to those documents.

– Committee of Inquiry into Emission Measurements in the Automotive Sector (EMIS) – Preparation of the hearing of Mr Karl FALKENBERG, former Director-General of DG Environment, on 14 November 2016 – Preparation of written answers

The Commission approved the line set out in SP(2016) 722/2 and took note of the written questions in the annex to that document.

v) Results of Parliament's October II part-session
(SP(2016) 680; SP(2016) 681)

The Commission took note of the information in SP(2016) 680 and SP(2016) 681 on the proceedings of the part-session of Parliament held in Strasbourg from 24 to 27 October.

vi) Action to be taken on Parliament's legislative resolutions and other resolutions of a legal nature
(SP(2016) 715)

The Commission took note of document SP(2016) 715, drawn up following the October II part-session of Parliament.

5. MONITORING THE APPLICATION OF EUROPEAN UNION LAW

STATE AID AND OTHER COMPETITION RULES

The Commission's decision on this item is recorded in the special minutes.

6. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

6.1. WRITTEN PROCEDURES APPROVED (SEC(2016) 448 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 24 October and 4 November 2016.

6.2. EMPOWERMENT (SEC(2016) 449 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 24 October and 4 November 2016.

6.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2016) 450 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 24 October and 4 November 2016, as archived in Decide.

6.4. SENSITIVE WRITTEN PROCEDURES (SEC(2016) 451)

The Commission took note of the sensitive written procedures for which the time limit expired between 7 and 11 November.

7. SEVENTH REPORT ON THE RELOCATION AND RESETTLEMENT OF REFUGEES (COM(2016) 720 AND /2)

The Commission approved the report in COM(2016) 720/2, for transmission to Parliament, the European Council and the Council and, for information, to the national parliaments.

8. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATION (EU) 1286/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON KEY INFORMATION DOCUMENTS FOR PACKAGED RETAIL AND INSURANCE-BASED INVESTMENT PRODUCTS AS REGARDS THE DATE OF ITS APPLICATION (COM(2016) 709 AND /2; RCC(2016) 128)

The Commission approved the proposal for a regulation set out in COM(2016) 709/2, subject to final linguistic revision, for transmission to

Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the national parliaments.

9. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2016) 452/2)

ADMINISTRATIVE MATTERS
(PERS(2016) 110/2)

Ms GORGIEVA spoke of her forthcoming resignation from the Commission in order to take up her new position at the World Bank. She expressed her deepest gratitude to the PRESIDENT for entrusting her with a senior position in the current Commission and thanked the Members of the Commission warmly for their support and friendship throughout this time, which she would remember fondly.

9.1. INTERNAL AUDIT SERVICE – APPOINTMENT OF AD16 DIRECTOR-GENERAL

On a proposal from Ms GEORGIEVA, in agreement with the PRESIDENT and having consulted Mr TIMMERMANS, the Commission decided to fill the post of Director-General of the Internal Audit Service by transferring in the interest of the service under Article 7 of the Staff Regulations Mr Manfred KRAFF, an AD16 official and currently Deputy Director-General of DG Budget.

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

9.2. ACTIVITIES OF A MEMBER OF THE COMMISSION AFTER LEAVING OFFICE
(C(2016) 7196)

The Commission adopted the decision set out in C(2016) 7196.

The Commission:

– took note of the correspondence between Ms GEORGIEVA and the PRESIDENT on the resignation of Ms GEORGIEVA, which would take effect at midnight on 31 December at the latest;

– also took note of the new position of Chief Executive Officer that she intended to take in the World Bank group, specifically at the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), starting on 2 January 2017;

– asked Ms GEORGIEVA to refrain, until the end of her term of office, from any involvement in any files linked to relations between the Commission and the World Bank;

– reminded Ms GEORGIEVA of her obligations under Articles 245 and 339 of the Treaty on the Functioning of the European Union and the Code of Conduct for Commissioners, in particular with regard to the protection of confidentiality and collective responsibility in respect of matters covered by the Commission during her two terms of office.

10. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS – 2016 COMMUNICATION ON EU ENLARGEMENT POLICY (COM(2016) 715 TO /4; SWD(2016) 360 TO /3 ; SWD(2016) 361 AND /2; SWD(2016) 362 AND /2; SWD(2016) 363 AND /2; SWD(2016) 364 AND /2; SWD(2016) 365 AND /2; SWD(2016) 366 AND /2; RCC(2016) 129)

Ms MOGHERINI presented the Communication on EU enlargement policy, which took stock of implementation of the medium-term European strategy adopted in November 2015, and progress reports for each candidate and potential candidate country, i.e. Montenegro, Serbia, the former Yugoslav Republic of Macedonia, Kosovo[2], Albania, Bosnia and Herzegovina and Turkey. She reminded those present that this was an annual exercise and welcomed the excellent cooperation between Commission departments that had enabled this set of documents to be produced.

She returned to the Union's enlargement policy objective, which consisted in using this powerful instrument to anchor the Western Balkans region in a European perspective to the benefit of both parties. All the reports identified the progress made but also the work that still had to be done to adopt the EU *acquis* in line with the principle of 'fundamentals first', i.e. reforms relating to the rule of law, including security, fundamental rights, democratic institutions and public administration reform.

She singled out the report on Turkey, emphasising that it was fair and objective. She hoped that the Union would continue its dialogue with Turkey in spite of the very worrying political developments which had taken place there since last June's attempted coup. That dialogue was particularly necessary within the context of talks on Syria and management of migration; at the same time, she urged the Turkish Government to respect the principles of the rule of law, *inter alia* in the light of Turkey's commitments as a candidate country. Relaunching a credible political process and genuine political dialogue within the country was essential for Turkey's democracy and for the stability of the region.

Mr HAHN said that enlargement policy continued to deliver results and reforms

[2] This designation is without prejudice to positions on status, and is in line with UN Security Council Resolution 1244/1999 and the International Court of Justice Opinion on the Kosovo declaration of independence.

were moving forward in most countries, albeit at different speeds. This was why, in his view, it was important for the Union to uphold its commitment to the principle of ‘fundamentals first’ by continuing to focus efforts on the rule of law, as well as on economic development and competitiveness. A stronger role for civil society and stakeholders more broadly also remained crucial.

Even if accession to the Union took time to achieve, the perspective of accession remained a strategic means whereby the Union could reinforce stability in its immediate neighbourhood by encouraging sustainable change in the European interest. Accordingly, he welcomed the fact that the Western Balkan countries had taken the right path, even though the region remained fragile. He mentioned in passing their very good cooperation with the Union during the migration crisis in recent months.

With regard to the former Yugoslav Republic of Macedonia and Albania, the Commission recommended opening negotiations; these, however, would be conditional on tangible progress in implementing further reforms, in particular the holding of parliamentary elections in the case of FYROM and certain aspects of judicial reform in the case of Albania.

The EU-Turkey statement on the resettlement of refugees was working on the ground, but the annual report had identified little progress on reforms. More specifically, the report pointed to a serious reverse in the country in the key fields of justice and fundamental rights. The Union was deeply concerned about the deteriorating situation in Turkey as regards respect for the non-negotiable principles of the rule of law and democracy, a deterioration that had accelerated in the wake of the attempted coup. He hoped that Turkey, in its own interests, would stop drifting away from the Union in terms of these fundamental values. EU-Turkey relations were at a crossroads, which posed a real challenge for their credibility.

Mr HAHN wound up by noting that the final linguistic revision of the umbrella communication would be carried out at the end of the meeting.

Mr TIMMERMANS felt that the gravity of the current political situation in Turkey should be reflected in the accession report and that the Union should send a powerful message condemning the upsurge in violations of fundamental rights and freedoms in that country over the last few months. That said, he understood the need to maintain the dialogue concerning the Syrian peace talks and management of the migration crisis, the consequences of which were still being felt, especially in Greece. He commented that severing ties between the Union and Turkey would be a grave political error and warned against any action that could provide the Turkish authorities with a pretext in the current circumstances.

In the course of the discussion that followed, the Commission raised the following main points:

- the regular progress reports on candidate and potential candidate countries were important and useful; the positive results achieved by some countries were flagged up;

- a call was made to open new negotiation chapters with certain Western Balkan countries, thereby supporting their governments' wish to implement to structural reforms and positive change;

- the key role that could be played and was played by enlargement countries in managing migration and in ensuring security and stability on the periphery of the Union; the importance of supporting them; at the same time, increasing nationalist tendencies had been observed;

- grave concern at recent decisions taken by the Turkish authorities which undermined freedom of expression and freedom of the media, the rights of the opposition and the independence of the judiciary; the domestic political considerations and regional objectives underlying those decisions;

- the need for a Commission report on Turkey that was balanced and uncompromising on the Union's values in the framework of the enlargement process, as was the case;

- the usefulness of coordinated communication on the part of the Union and a call to promote European values in a credible manner, eschewing paternalism;

- it should be pointed out that Turkey needed the Union but the Union needed Turkey too, on condition that Turkey complied with the criteria agreed upon; a reminder that the Union supported Turkey's stability for the sake of its own security;

- the balance to be struck in relations between the Union and Turkey in the light of each party's interests, particularly management of migration;

- the political issues of EU-Turkey relations should not be linked to the Cyprus issue;

- the need to use the established and conditional framework of the enlargement negotiations with the Turkish authorities as a basis; in that connection, the possibilities opened up by the two forthcoming Commission proposals on the customs union;

- the risk, however, that the Member States would not agree to grant Turkey the visa liberalisation that it sought because it did not comply with the pre-established benchmarks;

- the good cooperation from the Turkish authorities in implementing specific humanitarian aid projects.

The PRESIDENT confirmed that a distinction should be made between the different aspects of relations with Turkey without compromising on management of migration or on the values of the Union, which was a community based on the rule of law. It was unacceptable for Turkey to threaten to review the terms of the EU-Turkey statement on management of refugees if the Union did not grant it visa liberalisation; responsibility for this state of affairs was rooted in Turkey's refusal to amend its anti-terror legislation. With regard to the continuation of accession negotiations with Turkey, on which the 28 Member States had expressed their view, he called for the utmost caution in the light of recent stances adopted by certain Foreign Ministers.

In conclusion, and taking into account the current circumstances, the PRESIDENT felt that it was up to Turkey to explain its vision of its own future with regard to the European Union.

The Commission approved, subject to a final revision, the Communication in COM(2016) 715/4 for transmission to Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments, together with the 2016 reports on Montenegro, Serbia, the former Yugoslav Republic of Macedonia, Kosovo, Albania, Bosnia and Herzegovina and Turkey, in staff working documents SWD(2016) 360 and /3, SWD(2016) 361 and /2, SWD(2016) 362/2, SWD(2016) 363 and /2, SWD(2016) 364 and /2, SWD(2016) 365 and /2, and SWD(2016) 366/2, the contents of which were noted.

11. ORIENTATION DEBATE ON THE EUROPEAN SEMESTER – AUTUMN PACKAGE
(SEC(2016) 463; (SEC(2016) 465; RCC(2016) 131)

At the invitation of the PRESIDENT, Mr DOMBROVSKIS opened the orientation debate on the European Semester Autumn Package 2017, based on the background notes outlining the content of the documents that would be submitted to the Commission for approval at its next weekly meeting.

He pointed out that the Communication on the positive fiscal stance for the euro area was the main new feature of the package and explained that the entire package, including the Opinions on Member States' Draft Budgetary Plans, was based on the information and analyses in the Annual Growth Survey and on the autumn economic forecasts for 2017-18.

The main message of the 2017 Annual Growth Survey was the fact that the virtuous triangle formed by investment, structural reforms and responsible fiscal policy was bearing fruit and therefore remained the guiding principle of the Union's economic strategy. However, close attention should be paid to social equity and a fairer distribution of wealth in order to address the widespread perception that a section of society was not benefiting from economic recovery and the possibilities it offered.

Mr DOMBROVSKIS turned to the Draft Budgetary Plans that 18 euro area Member States had submitted to the Commission for assessment by the deadline of 17 October, with the exception of Greece, which was exempt from this requirement since it was still benefiting from a European assistance programme. Member States' national parliaments would be able to take into account the Commission's Opinions on each of these projects when finalising their budgets for 2017.

Under the rules, the Commission could ask a Member State to revise its Draft Budgetary Plan within two weeks if it identified particularly serious non-compliance with the rules of the Stability and Growth Pact, after having first consulted the Member State concerned within a week of the Plan being sent.

In this context, he informed the Commission that, following the first debate on the Draft Budgetary Plans held on 25 October, and in agreement with Mr MOSCOVICI, the decision had been taken to request additional information from seven Member States, consisting of three distinct groups. The first group was made up of countries that were at risk of failing to meet the objectives of the stability and growth pact (Italy, Finland and Cyprus). On the basis of the additional information provided, the Commission had not requested revised Draft Budgetary Plans from these Member

States. The second group comprised two Member States (Belgium and Portugal) whose Draft Budgetary Plans appeared to be broadly compliant, but were at risk of non-compliance with the forecasts made by the Commission. Lastly, the third group consisted of Spain and Lithuania, whose Draft Budgetary Plans were based on the assumption that policies would continue unchanged, since the interim governments in place could not exercise full budgetary powers for the time being.

Mr DOMBROVSKIS concluded his contribution on the fiscal situation of the euro area by stressing that, although monetary policy had been very accommodating, its effects would nonetheless gradually begin to wane. Monetary policy could only provide temporary respite in economic terms and, in order to be sustained in the long-term, growth had to be based first and foremost on structural reforms and responsible fiscal policies.

Mr MOSCOVICI presented the autumn economic forecasts for 2017-18, which provided a useful framework for this debate. He described the European economic climate for the next two years as one of moderate growth in difficult circumstances.

He began by citing five reasons for optimism: (i) the Union's GDP, which was expected to continue increasing between 2016 and 2017; (ii) stronger job creation than forecast, as a result of the structural reforms undertaken in various Member States; (iii) rising investment; (iv) overall inflation in the euro area, which was set to rise while remaining moderate (to 1.4% in 2017 and 2018); and (v) the improvement in public finances, which was ongoing, since the public deficit was expected to fall to 1.5% of GDP in 2017 in the euro area and the debt-to-GDP ratio was set to drop over the period under review below the threshold of 90% of GDP.

That being said, in many Member States, the scars left by the crisis were still visible and hindering growth; these included banking fragility, the private and public debt burden, weak investment and high unemployment .

The euro area as a whole was continuing to benefit from various positive factors, such as the ongoing implementation of the European Central Bank's monetary policy, the 'neutral' focus of fiscal policy and other political measures, such as the investment plan for Europe, which were also helping to stimulate economic activity.

On the other hand, Europe's economy would no longer benefit from certain factors of external origin such as low energy prices, the favourable euro exchange rate or stronger global growth.

Turning to the growth prospects for 2017, Mr MOSCOVICI explained that economic activity was expected to increase in 2017 in all Member States, rising even further in most of them in 2018.

In 2017 average growth in the Union would amount to 1.6%, with 1.5% for Germany and 1.4% for France, rising to 3.4% in Poland, 2.3% in Spain and 1.7% in the Netherlands. Italy's economic recovery would be slightly stronger in 2017 and 2018, thanks to domestic and external demand. As regards the United Kingdom, growth was solid in 2016 but was expected to drop to 1.0% in 2017 due, in particular, to a decline in business investment. Lastly, in Greece, after a downturn in GDP of 0.3% for 2016 as a whole, economic activity was expected to pick up gradually from the second half of 2016 before increasing substantially in 2017 and 2018, with growth estimated at 2.7% and 3.1% respectively.

Mr MOSCOVICI also reported improvements for the fiscal outlook, with the deficit for the euro area falling to 1.5% of GDP in 2017 compared with 1.8% in 2016, and the deficit for the whole of the Union expected to contract to 2.0% in 2016 and 1.7% the following year.

In the euro area, he noted that the public deficits in Portugal and Greece would shrink to less than 3% this year. He welcomed this excellent news that reflected considerable efforts on their part. France should be able to do the same in 2017, in accordance with the recommendation made to it, but this would not be confirmed until 2018. Lastly, according to the forecasts, only Spain was expected to post a deficit above the 3% threshold in 2017.

In this context, he recommended that the Commission pay close attention to the focus of fiscal policy in the euro area because the current accommodative monetary policy was reaching its limits and the euro area's economy was still running at less than full speed, even with the recovery. For that reason, he felt it important that the Communication on the fiscal policy of the euro area to be submitted to the Commission for approval the following week should clearly assert both the political priority of support for growth and the legal obligation to follow the rules. These two aspects were not mutually incompatible.

Although nearly all the euro area Member States would have mopped up excessive deficits by 2017, Mr MOSCOVICI felt it was time to adopt a more proactive approach. The debate on the Opinions issued on Member States' Draft Budgetary Plans for 2017 should be approached from that perspective in order to determine the individual circumstances of each Member State with regard to the obligations of the Stability and Growth Pact and to promote a positive fiscal stance for the euro area as a whole.

He pointed out that seven Member States had been the subject of in-depth exchanges after submitting their draft budgetary plans. Based on the replies received, and despite the decision not to request a revised budget at the end of October, a degree of uncertainty remained. He noted in particular that the most serious instances of non-compliance in this respect concerned Italy and Cyprus, in what was, moreover, a highly sensitive political context.

Ms THYSSEN referred to the social dimension of the 2017 European Semester Autumn Package and welcomed the continuing – albeit modest – improvement in the employment situation. She drew particular attention to the fact that, since the beginning of the present Commission's mandate at the end of 2014, almost five million jobs had been created and the unemployment rate had returned to its 2008 level, making the objective of a 75% employment rate set by the Europe 2020

Strategy an achievable one. She pointed out that the unemployment rate had gradually decreased and now stood at 8.6% for the Union as a whole.

She also noted a reduction in poverty and social exclusion, although too many citizens – 119 million in all, many of whom were children – were still at risk.

She felt that while there was no room for complacency, it was still appropriate to take note of the progress made.

In general terms, Ms THYSSEN wanted the European Semester to retain a strong social dimension. She explained that Member States with solid employment services, bolstered by job creation support measures, flexible work schemes and income support systems for the unemployed had weathered the crisis better than others.

She added that it was also important to respond to workers' legitimate concerns. She considered that social legislation needed to be adapted to new realities and a proper balance obtained between the rights and obligations of employees and employers, while still ensuring an adequate level of protection. She also felt that social protection systems needed to be overhauled, in particular to help keep people in the labour market, preserve human capital, support labour mobility and economic flexibility, through demand stimulus.

Finally, Ms THYSSEN turned her attention to three specific topics that, in her view, warranted a change in perspective, namely (i) reforms of the product and services markets to improve the business environment and stimulate competition and innovation, (ii) the development of skills for high-growth markets by encouraging investment in education and continuing training, and (iii) investments in areas such as childcare and long-term healthcare, which could encourage women to enter the labour market.

In the course of the discussion that followed, the Commission raised the following key points:

- a reference to the emergence of positive economic signals at this stage of the 2017 European Semester exercise, but also to increasing uncertainty, hence Member States' interest in taking advantage of the current upswing to continue to modernise and invest in structural reforms designed to make Europe's economies more resilient and more stable in the long term, and to improve the quality of their growth;

- some general trends emerging from the ‘autumn package', in particular (i) unequal distribution of the benefits of globalisation, (ii) a disconnect between national policies and the European common good, and (iii) the need to focus on the social dimension and fairness;

- populist exploitation of these trends; a reminder of the amount of time needed for these reforms to bear fruit;

- the support to be provided to Member States to enable them to reconcile long-term investments with fiscal sustainability;

- a question about a possible revision of the Stability and Growth Pact, and of the method for calculating gross domestic product, which did not currently take into account investment in human capital, particularly in education and health, the results of which would be beneficial in the long term;

- the need to make maximum use of the flexibility provided for in the Stability and Growth Pact when analysing Member States' draft budgetary plans; the insistence on equal treatment of Member States in this context; the need for the Commission to do a better job of getting this message across;

- a warning not to use the term ‘positive fiscal stance' for the euro area, which could be interpreted as encouraging the Member States to practise an expansionary fiscal policy, despite the fact that some of them still had unsustainable deficits; the suggestion to lend more weight to the quality of public spending and therefore to use the term ‘fiscal stance in support of growth’;

– the suggestion to focus the European Semester more on Member States' commitment to invest and to remove obstacles to investment; in this context, the effectiveness of tailored capacity-building mechanisms;

– in the broad sense, the need to place greater emphasis on education in the European Semester exercise; the importance of giving more encouragement to the Member States to reform their education systems, underlining that such measures should be regarded not so much as a fiscal burden but as an investment in the future; a reminder that education was the best antidote to inequality and the best guarantee of long-term development, growth and competitiveness; a reminder, too, of the social costs of mediocre education systems in terms of youth unemployment, social marginalisation and even radicalisation; a suggestion to increase investment in teacher training, which could generate considerable added value;

– a suggestion to align the Union's multiannual financial framework more closely with the Member States' budgetary plans so that they followed the same investment logic;

– the importance of alerting the public to the fact that European Structural and Investment Funds could be suspended in the event of a budget deficit.

Following the discussion, Mr DOMBROVSKIS made a number of remarks. He said that, as in previous years, structural reforms were at the heart of the Annual Growth Survey, on an equal footing with the quality and composition of public spending. Investment was also a priority, and he suggested looking at ways to stimulate it still further, for example in the Member States on the periphery of the Union.

Regarding the fiscal stance for the euro area, he noted that the structural deficit was increasing. As for what could be perceived as unequal treatment of the Member States when it came to the examination of their draft budgetary plans, he explained clearly the difference between a Member State in respect of which the Commission considered that there was insufficient evidence of failure to take effective action, and one in which there was evidence that the action taken had not been effective. He added that this difference in situations had repercussions for the funding of the States concerned on the financial markets, and therefore advised that these cases be handled prudently, with due consideration given to the commitments of the respective governments.

He concluded by thanking the members of the Commission for their active participation in the discussion, which would be taken into account in all of the documents to be submitted for their approval the following week.

Ms THYSSEN welcomed the emphasis placed during the discussion on the social dimension, and on investment in education and health in particular. She also noted that the recommendations on these points were fairly numerous in the country-specific recommendations addressed to the Member States in the spring in the context of the European Semester. She hoped that the crucial issue of qualifications would be afforded greater weight, despite it being a long-term policy.

She stressed the need to address the concerns of citizens worried about being left behind in the fourth industrial revolution, as shown by the outcome of recent elections in Europe and elsewhere. To this end, she felt that the current Commission needed to demonstrate, without waiting until the end of its mandate, that it had taken these concerns on board, was responding to them and delivering concrete results through its policies. She saw this as essential in order to regain the trust of Europeans, in societies that were becoming increasingly divided.

The PRESIDENT thanked Mr DOMBROVSKIS, Mr MOSCOVICI and Ms THYSSEN for their contributions to this policy debate to prepare the presentation, at the Commission meeting of 16 November, of all the analysis documents for the European Semester, traditionally published in the autumn, for the 2017 economic and fiscal governance exercise.

The Commission took note of this information, the conclusions of the policy debate and the background notes in SEC(2016) 463 and SEC(2016) 465.

12. PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AMENDING REGULATION (EU) 2016/1036 ON PROTECTION AGAINST DUMPED IMPORTS FROM COUNTRIES NOT MEMBERS OF THE EUROPEAN UNION AND REGULATION (EU) 2016/1037 ON PROTECTION AGAINST SUBSIDISED IMPORTS FROM COUNTRIES NOT MEMBERS OF THE EUROPEAN UNION
(COM(2016) 721 AND /2; SWD(2016) 370; SWD(2016) 371; SWD(2016) 372; SEC(2016) 470; RCC(2016) 133)

Mr KATAINEN presented to the College the proposal for a regulation on a new methodology for calculating dumping on imports from countries where there were significant market distortions or where the state had a significant influence on the economy. He reminded the College that the proposal supplemented the package of measures proposed by the Commission in 2013 in order to modernise the EU’s trade defence instruments and which would be reviewed at the Foreign Affairs Council meeting of 11 November.

He explained that trade was one of the main drivers of growth in Europe, provided that free trade took place in fair conditions, which was why the objective of the proposal was to adapt the EU’s trade defence instruments to the new realities of production overcapacities and the changing international legal framework.

Mr KATAINEN insisted on the importance of explaining that the proposal was not aimed at any member of the World Trade Organisation in particular and was not intended to recognise any particular player as a market economy but rather to reiterate the EU’s commitment to free and fair global trade.

Ms MALMSTRÖM gave further details of the proposal for a regulation, the main objective of which was to ensure that the EU had strong trade defence instruments, enabling it to face current world trade conditions, overcapacity in particular, while fully complying with its international obligations under the legal framework of the World Trade Organisation. She pointed out that the proposal, which amended the EU's anti-dumping and anti-subsidy legislation, had been drawn up following a broad public consultation and was accompanied by an impact assessment. She added that its objective was to ensure the effectiveness of the EU’s trade defence instruments in situations where certain countries significantly distorted the market, which could lead to industrial overcapacity and incite exporters to practise dumping in order to sell their products on the EU market.

She indicated that the legislation would be neutral from the point of view of the countries considered and that the Commission’s proposal also provided for transitional provisions for the already existing trade defence measures and for ongoing investigations.

Ms MALMSTRÖM concluded her presentation by highlighting the importance of the initiative, which showed that the EU was more loyal than ever to the commitments it had made within the World Trade Organisation. However, once adopted by the European Parliament and the Council, the proposal for a regulation would guarantee that the EU’s trade defence instruments were suited to the new legal and economic realities, while providing an equal level of protection to the one currently in place.

In the course of the ensuing discussion, the Commission referred mainly to the current political context, which could make the debate on trade liberalisation relatively difficult but also the fact that the Commission needed to be able to react more quickly to dumping situations in order to protect EU producers and adapt its trade strategy to the new realities of globalisation so that it could continue to be one of the main hubs of world trade.

Ms MALMSTRÖM concluded the discussion by stating that all the measures proposed by the Commission in terms of modernising the trade defence instruments would make it possible, once adopted, to speed up anti-dumping investigations without harming the quality and soundness of EU decisions.

The Commission adopted the proposal for a Regulation in COM(2016) 721/2 for transmission to Parliament, the Council, and the national parliaments, and, for information, to the European Economic and Social Committee and the Committee of the Regions, together with the impact assessment and the summary thereof in staff working documents SWD(2016) 370, SWD(2016) 371 and SWD(2016) 372, the contents of which were noted.

It also took note of the opinion of the Regulatory Scrutiny Board in SEC(2016) 470.

13. OTHER BUSINESS

UNITED STATES ELECTION RESULTS

The PRESIDENT referred to the results of the US presidential election on that day and the election of Donald Trump as the future 45th President of the United States of America. He informed the College that he had sent, jointly with Donald Tusk, the President of the European Council, a letter of congratulations to the newly elected President, in which he reiterated the depth of the transatlantic link uniting Europe and the United States, a link based on shared common democratic values and ideals and in which he expressed the wish that the new Government resulting from the American elections would be keen to strengthen this partnership in order to contribute to making the world safer and more prosperous for its citizens.

The PRESIDENT hoped that EU representatives would soon be able to meet with Donald Trump in order to set the course of the bilateral relationship for the next four years.

The Commission took note of this information.

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

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The meeting closed at 12.44