EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2017) 2218 final

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

Brussels, 26 July 2017

TEXTE EN

MINUTES

of the 2218th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 28 June 2017

(morning)

TABLE OF CONTENTS

<u>Single sitting:</u> Wednesday 28 June 2017 (morning)

The sitting opened at 9.43 with Mr JUNCKER, President, in the chair.

<u>Present:</u>

Mr JUNCKER	President	
Mr ANSIP	Vice-President	
Mr ŠEFČOVIČ	Vice-President	Items 1 to 8 (in part)
Mr DOMBROVSKIS	Vice-President	
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	Items 1 to 8
Mr HAHN	Member	
Ms MALMSTRÖM	Member	
Mr MIMICA	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	Items 7 (in part) to 9
Mr AVRAMOPOULOS	Member	
Ms THYSSEN	Member	
Mr MOSCOVICI	Member	Items 1 to 8 (in part)
Mr STYLIANIDES	Member	
Mr HOGAN	Member	
Ms BULC	Member	
Ms BIEŃKOWSKA	Member	
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms CREȚU	Member	Items 1 to 9 (in part)
Ms VESTAGER	Member	
Mr MOEDAS	Member	
Sir Julian KING	Member	

Absent:

Mr TIMMERMANS	First Vice-President
Ms MOGHERINI	High Representative / Vice-President

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

Ms SUTTON	Deputy Chef de cabinet to Mr TIMMERMANS	
Ms PANZETTI	Chef de cabinet to Ms MOGHERINI	

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	
Ms METTLER	Head of the European Political Strategy Centre	Items 7 (in part) to 9
Mr MOTOC	European Political Strategy Centre	Items 1 to 7 (in part)
Ms MARTÍNEZ ALBEROLA	Deputy Chef de cabinet to the PRESIDENT	
Ms KRAMER	Director of Coordination and Administration in the PRESIDENT's Office	Item 8
Mr DELVAUX	Adviser in the PRESIDENT's Office	Items 1 to 7
Ms DEJMEK-HACK	Adviser in the PRESIDENT's Office	Items 1 to 7 (in part)
Ms SILLAVEE	PRESIDENT's Office	
Mr ROMAKKANIEMI	Chef de cabinet to Mr KATAINEN	Items 1 to 7
Mr HAGER	Chef de cabinet to Mr OETTINGER	Item 8
Mr SCHULTE	A member of Mr OETTINGER's staff	Item 8
Ms ÅSENIUS	Chef de cabinet to Ms MALMSTRÖM	Items 1 to 7
Mr VINCIUNAS	Chef de cabinet to Mr ANDRIUKAITIS	Items 1 to 7 (in part)
Mr DE MICHELIS	Chef de cabinet to Ms CREŢU	Item 8

Ms JUUL-JORGENSEN	Chef de cabinet to Ms VESTAGER	Items 1 to 7 (in part)
Ms ANDREEVA	Commission Spokesperson's Service	
Ms CALVIÑO	Director-General, DG Budget	Item 8
Mr LEMAÎTRE	Director-General, DG Regional and Urban Policy	Item 8

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

1. AGENDAS
(OJ(2017) 2218/FINAL; SEC(2017) 308/FINAL)

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(2017) 2218)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 26 June.

3. APPROVAL OF THE MINUTES OF THE 2212TH, 2216TH AND 2217TH MEETINGS OF THE COMMISSION (16 MAY, 13 JUNE AND 21 JUNE)
(PV(2017) 2216 AND /2)

The Commission approved the minutes of its 2216th meeting, and decided to hold over for one week approval of the minutes of its 2212th and 2217th meetings.

4. INTERINSTITUTIONAL RELATIONS
(RCC(2017) 83; RCC(2017) 89)

The Commission took note of the record of the meeting (RCC(2017) 83) and the record of the special meeting (RCC(2017) 89) of the Interinstitutional Relations Group (IRG) held on Friday 23 June and Tuesday 27 June respectively.

It paid particular attention to the following points.

4.1. HORIZONTAL ITEM

i) Negotiations on an agreement with the United Kingdom setting out the arrangements for its withdrawal from the European Union pursuant to Article 50 of the Treaty on the European Union – Essential Principles Papers on Governance / Ongoing Union Judicial and Administrative Procedures / Ongoing Judicial Cooperation in Civil and Commercial Matters / Issues relating to the Functioning of the Institutions, Agencies and Bodies / Goods placed on the Market under Union Law before the Withdrawal Date / Ongoing Police and Judicial Cooperation in Criminal Matters

The Commission took note of the information in SI(2017) 333 and SI(2017) 341, and authorised the ‘Article 50 Task Force’ to send to the 27 Member States the six essential papers in question.

4.2. LEGISLATIVE MATTERS

ii) Trilogues
(point 3.1 of the IRG record)

– Introduction of temporary autonomous trade measures for Ukraine supplementing the trade concessions available under the Association Agreement (Regulation) – WAŁĘSA report – 2016/0308 (COD)

The Commission approved the line set out in SI(2017) 318.

– Amendment of Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and amendment of Directive 2009/101/EC (Directive) – KARIŅŠ & SARGENTINI report – 2016/0208 (COD)

The Commission approved the line set out in SI(2017) 320/2.

– Establishment of 'Eurodac' for the comparison of fingerprints for the effective application of Regulation (EU) 604/2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person for identifying an illegally staying third-country national or stateless person and on requests for the comparison with Eurodac data by Member States' law enforcement authorities and Europol for law enforcement purposes (Regulation – recast) – MACOVEI report – 2016/0132 (COD)

The Commission approved the line set out in SI(2017) 324.

– Establishment of an Entry/Exit System (EES) to register entry and exit data and refusal of entry data of third country nationals crossing the external borders of the Member States of the European Union and determining the conditions for access to the EES for law enforcement purposes and amendment of Regulation (EC) 767/2008 and Regulation (EU) 1077/2011 (Regulation) / Amendment of Regulation (EU) 2016/399 as regards the use of the Entry/Exit System (Regulation) – DÍAZ DE MERA GARCÍA CONSUEGRA reports – 2016/0106 (COD) / 2016/0105 (COD)

The Commission approved the line set out in SI(2017) 323.

– Geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market and amendment of Regulation (EC) 2006/2004 and Directive 2009/22/EC (Regulation) – THUN UND HOHENSTEIN report – 2016/0152 (COD)

The Commission approved the line set out in SI(2017) 327.

– Amendment of Directive 2004/37/EC on the protection of workers from the risks related to exposure to carcinogens or mutagens at work (Directive) – ULVSKOG report – 2016/0130 (COD)

The Commission approved the line set out in SI(2017) 332/2.

– 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) – BULLMANN & FERNANDES report – 2016/0276 (COD)

The Commission approved the line set out in SI(2017) 335/2.

iii) European Parliament dossiers – July part-session
(point 3.2 of the IRG record)

Ordinary legislative procedure – Second reading

– Fight against fraud to the Union's financial interests by means of criminal law (Directive) – GRÄSSLE & LÓPEZ AGUILAR report – 2012/0193 (COD)

The Commission took note of the information in SI(2017) 425, further to note COM(2017) 246, which it had already approved on 16 May.

Ordinary legislative procedure – First reading

– Amendment of Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches ('Country by country reporting') (Directive) – BAYET & REGNER report – 2016/0107 (COD)

The Commission approved the line set out in SP(2017) 426.

– Follow-up to the Marrakech Treaty – Permitted uses of works and other subject-matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print disabled, and amendment of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society (Directive) / Cross-border exchange between the Union and third countries of accessible format copies of certain works and other subject-matter protected by copyright and related rights for the benefit of persons who are blind, visually impaired or otherwise print disabled (Regulation) – ANDERSSON reports – 2016/0278 (COD) / 2016/0279 (COD)

The Commission took note of the information in SP(2017) 427 and SP(2017) 428, further to note SI(2017) 168, which it had already approved on 10 May.

– Macro-financial assistance to the Republic of Moldova (Decision) – MOISĂ report – 2017/0007 (COD)

The Commission took note of the information in SP(2017) 430, further to note SI(2017) 243/2, which it had already approved on 31 May.

Special legislative procedure

– Double Taxation Dispute Resolution Mechanisms in the European Union (Directive) – THEURER report –2016/0338 (CNS)

The Commission approved the line set out in SP(2017) 431.

iv) Council dossiers
(point 3.3 of the IRG record)

– Financial rules applicable to the general budget of the European Union and amending Regulation (EC) 2012/2002, Regulations (EU) 1296/2013, (EU) 1301/2013, (EU) 1303/2013, (EU) 1304/2013, (EU) 1305/2013, (EU) 1306/2013, (EU) 1307/2013, (EU) 1308/2013, (EU) 1309/2013, (EU) 1316/2013, (EU) 223/2014, (EU) 283/2014 and (EU) 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council (Regulation) – GRÄSSLE / ASHWORTH report – 2016/0282 (COD)

The Commission approved the line set out in SI(2017) 317 and /3.

– Standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection and for the content of the protection granted and amending Council Directive 2011/109/EC of 25 November 2003 concerning the status of third-country nationals who are long-term residents (Regulation) – FAJON report – 2016/0223 (COD)

The Commission approved the line set out in SI(2017) 322.

4.3. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

v) Programming of Council business
(SI(2017) 334)

The Commission took note of the information in SI(2017) 334 on the Council meetings between 29 June and 12 July.

vi) Non-legislative matters
(point 4.1 of the IRG record)

– Proposal for a Council Decision on the signing, on behalf of the European Union, and provisional application of the Transport Community Treaty – 2017/0132 (NLE)

The Commission approved the line set out in SI(2017) 309.

– Draft input to reflection on EU-CELAC: future of bi-regional cooperation for Senior Officials

The Commission approved the line set out in SI(2017) 326 and /3.

– Amendment of Decision 2012/392/CFSP on the European Union CSDP mission in Niger (EUCAP Sahel Niger) – HR(2017) 75, Joint Action 2005/889/CFSP on establishing a European Union Border Assistance Mission for the Rafah Crossing Point (EUBAM Rafah) – HR(2017) 63, Decision 2013/354/CFSP on the European Union Police Mission for the Palestinian Territories (EUPOL COPPS) – HR(2017) 65, and Decision 2013/233/CFSP on the European Union Integrated Border Management Assistance Mission in Libya (EUBAM Libya) (Council (CFSP) Decisions)

The Commission approved the line set out in SI(2017) 329.

4.4. RELATIONS WITH PARLIAMENT

vii) Non-legislative matters
(point 5.1 of the IRG record)

– European Parliament's Committee of Inquiry into ‘Money Laundering, Tax Evasion and Tax Fraud’ (PANA) – Preparation of the hearing of Ms JOUROVÁ, Member of the Commission, on 3 July.

The Commission took note of SP(2017) 433.

– Roadmap towards a new methodology for the European Union assessment of High Risk Third Countries under Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

The Commission approved the line set out in SI(2017) 330.

5. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

5.1. WRITTEN PROCEDURES APPROVED (SEC(2017) 309 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 19 and 25 June (see also item 7.2 of these minutes).

5.2. EMPOWERMENT (SEC(2017) 310 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 19 and 23 June.

5.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2017) 311 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 19 and 23 June as archived in Decide.

5.4. SENSITIVE WRITTEN PROCEDURES (SEC(2017) 312 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 26 and 30 June and of the urgent written procedure (see also item 7.1 of these minutes) and the finalisation written procedures initiated following the weekly meeting of Chefs de cabinet on 26 June.

6. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2017) 313)

ADMINISTRATIVE MATTERS
(PERS(2017) 88)

DG FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL MARKETS UNION – APPOINTMENT OF AD14/15 DIRECTOR
(PERS(2017) 78 TO /3)

The Commission had before it applications under Article 29(1)(a)(i) and (iii) of the Staff Regulations for the post of Director of the 'Investment and Company Reporting' Directorate in DG Financial Stability, Financial Services and Capital Markets Union (PERS(2017) 78).

It took note of the opinions of the Consultative Committee on Appointments of 10 May and 1 June (PERS(2017)78/2 and /3).

The Commission proceeded to compare the applicants' qualifications for the post. It also considered their ability, efficiency and conduct in the service. On a proposal from Mr OETTINGER, in agreement with the PRESIDENT and after consulting

Mr DOMBROVSKIS, it then decided to appoint Ms Nathalie DE BASALDUA LEMARCHAND to the post.

This decision would take effect on 1 July 2017.

7. OTHER BUSINESS

7.1. COMMISSION DECISION ON A PROCEEDING UNDER ARTICLE 102 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION AND ARTICLE 54 OF THE AGREEMENT ON THE EUROPEAN ECONOMIC AREA (CASE AT.39740 – GOOGLE SEARCH/SHOPPING)

The PRESIDENT asked Ms VESTAGER to present to the College the decision taken the day before under Article 102 of the Treaty on the Functioning of the European Union and Article 54 of the Agreement on the European Economic Area to impose on the undertaking Google a fine of EUR 2.42 billion for abuse of a dominant position with regard to shopping services (PE/2017/4505 – C(2017) 4444).

The Commission took note of this information.

7.2. RECOVERY AND RESOLUTION OF CREDIT INSTITUTUIONS AND INVESTMENT FIRMS / SINGLE RESOLUTION MECHANISM – THE CASE OF THE ITALIAN BANKS

At the PRESIDENT's request, Mr DOMBROVSKIS and Ms VESTAGER referred to the scheme in place with regard to the recovery and resolution of credit institutions and investment firms and, in this context, commented on the decision taken by the Commission on 25 June under Articles 107 and 108 of the Treaty on the Functioning of the European Union concerning the Italian banks *Banca Popolare di Vicenza* and *Veneto Banca* (PE/2017/4566 – C(2017) 4501).

The Commission took note of this information.

7.3. LATEST DEVELOPMENTS IN TRADE NEGOTIATIONS BETWEEN THE EUROPEAN UNION AND JAPAN WITH A VIEW TO CONCLUDING AN ECONOMIC PARTNERSHIP AGREEMENT

The PRESIDENT invited Mr KATAINEN, Ms MALMSTRÖM and Mr HOGAN to report on the current state of play of negotiations being held by the Commission on behalf of the Union with the Japanese authorities with a view to concluding an economic partnership agreement.

Mr KATAINEN explained that the talks were entering their final stages and that a positive conclusion was within reach thanks to the excellent work of the Commission’s departments, whose skill and commitment he praised. This would be good news for the businesses, consumers, taxpayers and, in a wider sense, citizens of the EU. He therefore hoped that Ms MALMSTRÖM and Mr HOGAN would see their efforts bear fruit when they visited their Japanese counterparts the following day. This would also be an excellent message to send both to the Union’s international partners at the G20 Summit in Hamburg on 7 and 8 July and to the Member States, in order to emphasise that Europe, after adopting the Commission’s reflection paper on harnessing globalisation, was putting its words into action.

However, the announcement of a political agreement at the EU-Japan Summit on 6 July would represent just a single - albeit important - step, since it was still necessary to finally resolve certain issues, tackle the obstacle course of the ratification of the future agreement and convince certain sections of European public opinion of the merits of such an agreement. On the latter point, Ms KATAINEN recommended basing the argument on the extremely positive effects of recent free trade agreements and encouraging the Member States' political leaders to defend the future agreement with Japan.

Ms MALMSTRÖM confirmed that she would be visiting Japan the following day with Mr HOGAN, in the hope of reaching the compromises on the outstanding tricky technical issues that were needed to reach a political agreement or an agreement in principle at the EU-Japan Summit, to be held in Brussels in early July.

She explained that the difficulty in striking a balance that would satisfy both parties and lead to a good agreement lay in the fact that Japan's main goal was the removal of EU customs duties on vehicle imports, spare parts and certain electronic items, while the EU had offensive interests in several areas, such as access to the Japanese market for certain services and farming products, the protection of geographical indications of origin, access to public procurement contracts and the removal of non-tariff trade barriers.

Specifically, the final key points to be resolved were (i) the extent to which the Union would be able to open up markets for certain farming products, including dairy products, beef and pork, (ii) access for EU businesses to Japan's public contracts, and (iii) the establishment of a transition period towards the removal of EU customs duties on vehicle imports that would be balanced with Japan's commitments.

Ms MALMSTRÖM also noted that a campaign of opposition to the future EU-Japan agreement had already begun in a number of Member States. However, this economic partnership agreement would be very similar to the agreement with Canada and would include the same guarantees of respect for the Union's values and protection for its citizens, i.e. transparency, compliance with social protection standards, environmental standards and consumer protection, as well as respect for the right to regulate and for sustainable development. In the current international climate, an ambitious deal between the EU and Japan would sent out a strong signal by demonstrating the openness to trade and investment of two of the world's most powerful economies in order to shape globalisation, generate growth and create jobs, together with their renewed commitment to implementing the Paris climate agreement.

In line with the Commission's policy on transparency, Ms MALMSTRÖM reminded the meeting that the negotiating proposals, updates to the proposals and the minutes of the rounds of negotiations were on her internet site, and that the full text of the agreement would be published after the negotiations had been concluded to allow a public debate before the ratification process was launched. She and her departments had made sure that there was a constant dialogue with the Member States and the European Parliament; Parliament also had full access to the documents related to the negotiations. However, the Member States had turned down her request to make public the negotiating brief, which was a Council document. She also mentioned her many contacts with the other stakeholders.

Ms MALMSTRÖM concluded her presentation with the still thorny question of the mechanism for settling disputes between investors and States. The EU was defending that a full-scale investment court system be set up, with judges appointed by the governments, a court of appeal and transparent procedures, though Japan remained sceptical on this point. She said that this question should be resolved in the autumn.

Mr HOGAN stressed the importance of obtaining wide access to the Japanese market for European dairy products, beef and pork, as well as a high level of protection for the EU's principal geographical indications. He said that a positive outcome for beef and veal could facilitate the conclusion of subsequent agreements with the Union's other trading partners. He added that dairy products were a very sensitive sector for Japan and one in which the Union had considerable offensive interests, in particular in relation to the cheese segment. A compromise would accordingly have to be reached quickly on these various points. He said that several Member States particularly wanted a good result on geographical indications. Generally speaking, he felt it was still possible to obtain more ambitious conditions for trade in agricultural products. He concluded by assuring the Commission that he would work very closely with Ms MALMSTRÖM to smooth out the last obstacles and finalise a good economic partnership agreement, with a view to a successful EU-Japan Summit on 6 July.

In the brief discussion that followed, the Commission also spoke about the progress of the talks with the Japanese authorities on data protection, which were being conducted in parallel with the negotiation of the economic partnership agreement.

The PRESIDENT alluded to the fractious atmosphere that sometimes surrounded the European Union’s agreements with its partners and expressed the hope that in this instance the Commission would take great care in its communication activities and explain clearly that the publication of its negotiating brief for the economic partnership agreement talks with Japan was not a matter for the Commission but for the Member States, some of which were refusing to agree to its publication.

As regards the system for investor-State dispute settlement, he noted that the future economic partnership agreement might not contain any such provisions, as the current court systems in the EU and Japan in this field were of an equivalent level.

He took the opportunity to point out that the Comprehensive Economic and Trade Agreement with Canada, ratified by the European Parliament in January but not ratified by the Canadian Parliament until May, still seemed to be encountering last-minute problems. He hoped that compromises would be found that would allow this agreement, which would be of considerable benefit to the Union, to be implemented.

Ms MALMSTRÖM explained that the ratification procedure in Canada had taken longer than expected and that a number of obstacles still remained, especially in relation to cheese imports and the Canadian implementing provisions. She assured the meeting that she was doing what she could to find a solution.

She also mentioned, like Mr HOGAN, the question of the circulation of false information about international trade agreements in general, which she felt should be countered with sound and objective arguments. Finally, she concluded by expressing the hope that the Commission would hold a discussion on the complex question of the handling of data flows in trade agreements.

The PRESIDENT thanked Mr KATAINEN, Ms MALMSTRÖM and Mr HOGAN for their excellent work and for this very useful information.

The Commission took note of this information.

8. REFLECTION PAPER ON THE FUTURE OF EU FINANCES (COM(2017) 358 TO /3; RCC(2017) 86)

Mr OETTINGER and Ms CREŢU presented the Reflection Paper on the Future of EU Finances and submitted it to the College for adoption. This was the fifth and final thematic reflection paper; the previous four focused on the social dimension of Europe, harnessing globalisation, deepening the Economic and Monetary Union and the future of Europe's defence. All five papers were in line with the White Paper on the Future of Europe, published on 1 March.

Mr OETTINGER firstly thanked the Members of the College for their valuable contributions to the drafting of the Reflection Paper, which had required extensive cooperation inside the Commission. He then explained that, as regards the EU budget, the Reflection Paper crystallised the five scenarios set out in the White Paper on the Future of Europe by attempting to answer the key question of whether the EU wanted to (i) carry on as before, (ii) cease certain activities, (iii) have the Member States move forward at different speeds, (iv) focus on particular activities but work more efficiently or (v) do much more through the Member States working together. He stressed that each of these scenarios would have different consequences in terms of the level of expenditure, the objectives pursued and the revenue sources that would be used. He added that the options ranged from reducing spending on existing policies to increasing revenues.

He emphasised the urgent need for a general discussion on the future of Europe's finances given that the EU budget would need to cover a shortfall of EUR 10 to 12 billion due to the United Kingdom's withdrawal, while the EU would have to take on new tasks, and hence spending, on a long-term basis in fields such as the management of migratory flows and the fight against terrorism, or planned research activities in the defence sector, to give just a few examples.

He also referred to the trend towards a 'Communitisation' of a number of funds that were currently managed using the intergovernmental method and were therefore not covered by the multiannual financial framework, such as the European Development Fund; making these funds part of the EU budget would require an increased budget or redeployments involving difficult decisions.

Following on from that observation, Mr OETTINGER pointed out that in the end it would be for the Member States to decide what could be funded taking into account the range of tasks to be carried out and the aims to be achieved.

Depending on which scenario was chosen, the EU budget would stand at either (i) EUR 125 billion if the budget simply took account of the withdrawal of the United Kingdom, the second-largest net contributor to the EU budget, (ii) EUR 140 billion if the budget took account of the withdrawal of the United Kingdom but new funds could partially compensate for the loss of this significant contribution to the budget, or (iii) EUR 150 billion if new own resources were created. He pointed out that these various options could be combined and that it was therefore possible to imagine carrying out budgetary reallocations while seeking out additional resources at the same time.

He also stressed the importance of the timetable for adopting the next multiannual financial framework, with two options to consider. The first option would be for the current Commission to table proposals in May or June 2018, while the second would be to pass the responsibility to the next Commission, which would table proposals between January and September 2020, after the European elections in 2019. He was personally in favour of the first option to ensure that the multiannual financial framework was not adopted too late and to avoid jeopardising the start of the next Commission's term of office.

Ms CREŢU also thanked the Members of the College for their valuable contributions to the Reflection Paper on the Future of EU Finances. She focused on two key issues dealt with in the Paper. The first issue was the EU's level of ambition to reform the system of own resources. As shown in the Reflection Paper, a reduced budget would mean that difficult policy decisions would have to be made. In her view, part of the solution was to increase revenue by creating new own resources, which could change the dynamic of the budget negotiations with the other EU institutions, and she was in favour of ending the net balances approach. In any event, the Commission would have to reject the calls from the Member States and the Parliament to stretch the budget and do more with fewer human and financial resources. She called on the Commission to present a budget that was credible but also ambitious and able to fund the policies that the EU needed.

As regards the second issue highlighted in the Reflection Paper, the budget's internal coherence, she stressed that the aim was to ensure that the policies and instruments complemented each other, prevent duplication and make the budgetary structure more flexible.

Ms CREŢU pointed out that different rules were still too frequently applied to the same type of expenditure and that too many instruments were used to finance the same measures, while stressing that it was difficult to design standard responses to the many challenges faced by the EU's Member States, regions, towns and citizens.

The exercise provided a welcome opportunity to design a less fragmented budget, one that brought together the available instruments and made life easier for those benefiting from the EU's policies.

Mr MOSCOVICI, a member of the High-Level Group on Own Resources, chaired by Mr Mario MONTI, said he was in favour of an ambitious approach in order to tackle the challenges head on. He was pleased that the Reflection Paper clearly highlighted, among the key aspects that should be taken into account in the reform of the EU's finances, the fact that the EU budget was still viewed as a means of implementing shared policy priorities, and not as an end in itself. The Paper also focused on the areas in which the EU could bring real added value, and he welcomed the stated aim to carry out reforms and modernisation.

He referred to the expectations raised by the report from the High-Level Group on Own Resources, explaining that the Reflection Paper set out a framework for reforming the system of own resources, which could also be used when drawing up the next multiannual financial framework. It would take time to consider options such as VAT, customs duties or climate- or energy-related resources, before making proposals or taking decisions. Nevertheless, he felt it was very useful that the Reflection Paper identified practical ways forward and he suggested considering the possibility of creating a group of Commissioners tasked with exploring the topic over the next six months, especially since the Member States would also need guidance and advice.

Mr MOSCOVICI also noted with satisfaction that the reflection paper incorporated the priorities relating to the Economic and Monetary Union, in particular convergence and budgetary support for structural reforms and stabilisation, which were placed on the same footing as migration and defence. He explained that the notion of convergence raised in the reflection paper on the deepening of the Economic and Monetary Union was aimed at reducing inequalities both within and between Member States, supporting social welfare systems and, lastly, dispelling the notion held by some Member States that they were paying for the excesses of others. He added that an additional stabilisation function could help absorb the shocks that could not be contained at national level alone, in line with the principle of European added value.

He pointed out that Mario Draghi, President of the European Central Bank, had himself recently mentioned the need to reduce disparities in the euro area, which was a destabilising factor that could be remedied only by reforms to support growth, job creation, education, investment and innovation. He ended by saying that in his view it was precisely the Union budget which made it possible to avoid the phenomenon of a multi-speed Europe, which could only lead to greater imbalances.

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

– the unreserved support of the College for the idea of a budget focused on the fields and activities in which the EU could provide real added value;

– the need to reform the own resources system by basing the Union's budget on its policies and the real needs of European citizens;

- the importance of rationalising financial programmes and instruments, for example in the field of rural broadband, and simplifying management methods as part of a serious reflection on the future of the Union's finances;

- the case for promoting synergy between policies and between funding programmes in order to avoid duplication and harness the full potential of the Union's financing;

- the importance of envisaging a direct link between the financing of the Union and the policies it carried out;

- the sensitivity of certain options mentioned in the reflection paper, for example the principle of Member States co-financing common agricultural policy expenditure;

- in this context, the need to avoid pre-empting the proposed reform of the common agricultural policy focusing primarily on the quality of food and produce;

- the difficulty of laying down uniform rules for managing Union Funds, as these Funds were generally adapted to a particular sector or specific measures;

- satisfaction that the reflection paper had a major social dimension, and the need for the EU's finances to continue to foster the development of skills, promote jobs and encourage social inclusion;

- the relevance of examining the idea of linking access to Union funding with adherence to the principle of the rule of law, which was deemed to be a basic pillar of Union membership and a founding principle of its status as a rule-based community;

- the importance of debating the future of the Union's finances during the 2019 European elections; the need to allow the citizens and the Member States to help shape the direction of the Union budget and to express their views on the objectives it should set out to achieve.

At the PRESIDENT's request, Mr OETTINGER wound up the discussion. He acknowledged that the issue of certain EU measures being co-financed by the Member States was a very sensitive one, but felt that it should nevertheless be an integral part of the overall reflection on the future of the Union's finances. On the specific question of the common agricultural policy, he felt that this discussion should be carried out in the particular context of the reforms envisaged by the Commission in this field.

Together with Ms CREŢU, he once again thanked all the Members of the Commission for their valuable contributions to the reflection paper and asked them to take part in the debates that would accompany its publication in the Member States.

The Commission adopted, subject to a final clean-up of the text, the reflection paper in COM(2017) 358/3 for transmission to the European Parliament, the European Council, the Council, the Court of Justice, the European Court of Auditors, the European Economic and Social Committee and the Committee of the Regions, and, for information, to the national parliaments.

9. OTHER BUSINESS (CONTINUED)

MATTERS RELATING TO SECURITY – CYBERSECURITY – AIR PASSENGER TRANSPORT

At the PRESIDENT's invitation, Sir Julian KING gave details of the cyberattack which was still under way and had spread in a matter of hours from Ukraine to Poland, Russia, Spain, the Netherlands, France, the United Kingdom and India, along the same lines as the previous cyberattack, 'WannaCry', a few weeks earlier. He explained that the perpetrators of this attack were also exploiting vulnerabilities in the Windows operating system, but in a more sophisticated manner and on a bigger scale. This menace highlighted the need for protective and rapid reaction measures at an operational level in order to safeguard and improve cybersecurity, including at the Commission.

Mr ANSIP noted that cybercrime inflicted annual losses of several hundreds of billions of euros on the global economy and was growing exponentially. In the case of the current attack, the origin of the malware was still unknown. He reiterated the basic precautions to be taken to reduce the vulnerability of IT systems to this type of virus and to ransomware and ended with the hope that appropriate funding for cybersecurity would be found in the next multiannual financial framework.

Mr AVRAMOPOULOS and Ms BULC took the opportunity to mention briefly the positive discussions under way with the United States administration in order to step up and coordinate air transport security measures at international level, in particular the specific measures which the US intended to introduce.

The Commission took note of this information.

*

*   *

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

*

*   *

The meeting closed at 12.02.