EUROPEAN COMMISSION

SECRETARIAT-GENERAL

PV(2018) 2268 final

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Brussels, 7 November 2018

TEXTE EN

<u>MINUTES</u>

of the 2268th meeting of the Commission

held in Brussels

(Berlaymont)

on Wednesday 10 October 2018

(morning)

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<u>Single sitting</u>: Wednesday 10 October 2018 (morning)

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

<u>Present</u>:

Mr JUNCKER	President	
Mr TIMMERMANS	First Vice-President	
Mr ANSIP	Vice-President	
Mr ŠEFČOVIČ	Vice-President	
Mr DOMBROVSKIS	Vice-President	
Mr KATAINEN	Vice-President	
Mr OETTINGER	Member	
Ms MALMSTRÖM	Member	
Mr MIMICA	Member	
Mr ARIAS CAÑETE	Member	
Mr VELLA	Member	
Mr ANDRIUKAITIS	Member	
Mr AVRAMOPOULOS	Member	
Ms THYSSEN	Member	
Mr STYLIANIDES	Member	
Mr HOGAN	Member	Items 1 to 9
Ms BULC	Member	
Ms BIEŃKOWSKA	Member	Items 1 to 11 (in part)
Ms JOUROVÁ	Member	
Mr NAVRACSICS	Member	
Ms CREȚU	Member	
Ms VESTAGER	Member	
Mr MOEDAS	Member	
Sir Julian KING	Member	Items 1 to 10
Ms GABRIEL	Member	Items 8/9 (in part) to 11

Absent:

Ms MOGHERINI	High Representative / Vice-President
Mr HAHN	Member
Mr MOSCOVICI	Member

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

Mr GRASSI	Chef de cabinet to Ms MOGHERINI	Items 10 and 11
Mr KARNITSCHNIG	Chef de cabinet to Mr HAHN	Items 10 and 11
Mr BAILLY	Chef de cabinet to Mr MOSCOVICI	Items 10 and 11

The following also sat in:

Ms MARTÍNEZ ALBEROLA	Chef de cabinet to the PRESIDENT	
Mr ROMERO REQUENA	Director-General, Legal Service	
Mr PESONEN	Director-General, DG Communication	Items 10 and 11
Mr SCHINAS	Head of the Spokesperson's Service and Chief Spokesperson of the Commission	
Ms METTLER	Head of the European Political Strategy Centre	Items 10 and 11
Ms AHRENKILDE HANSEN	Deputy Secretary-General	Items 10 and 11
Ms GAUER	Deputy Secretary-General	
Mr SZOSTAK	Deputy Chef de cabinet to the PRESIDENT	
Ms DEJMEK HACK	Adviser in the PRESIDENT's Office	Item 11
Mr THOLONIAT	Adviser in the PRESIDENT's Office	Item 11
Ms SILLAVEE	PRESIDENT's Office	Items 10 and 11
Mr WYNANDS	Chef de cabinet to Mr DOMBROVSKIS	Item 11
Mr POWER	Chef de cabinet to Mr HOGAN	Items 10 and 11
Ms CHRISTENSEN	Secretariat-General	Items 1 to 9
Mr SNELS	Secretariat-General	Items 1 to 9
Ms VILA NUÑEZ	Secretariat-General	Items 10 and 11
Ms ANDREEVA	Commission Spokesperson's Service	Items 10 and 11
Mr THYGESEN	Chairman, European Fiscal Board	Item 11
Mr LARCH	Head of Secretariat, European Fiscal Board	Item 11

Mr BARNIER	Chief negotiator and Head of the Article 50 Task Force	Items 1 to 9

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

1. AGENDAS
(OJ(2018) 2268/FINAL; SEC(2018) 2268)

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(2018) 2268)

The Commission considered the Secretary-General's report on the weekly meeting of Chefs de cabinet held on Monday 8 October 2018.

3. APPROVAL OF THE MINUTES OF THE 2264TH, 2265TH, 2266TH AND 2267TH MEETINGS OF THE COMMISSION (5, 11 AND 19 SEPTEMBER, AND 2 OCTOBER 2018)
(PV(2018) 2264; PV(2018) 2265; PV(2018) 2266; PV(2018) 2266, 2ND PART)

The Commission approved the minutes of its 2264th, 2265th and 2266th meetings and decided to hold over approval of the minutes of its 2267th meeting for a later meeting.

4. INTERINSTITUTIONAL RELATIONS
(RCC(2018) 135)

The Commission took note of the record of the meeting of the Interinstitutional Relations Group (IRG) held on Friday 5 October 2018 (RCC(2018) 135).

It paid particular attention to the following points.

4.1. HORIZONTAL MATTERS

i) Accession of the European Union to the Convention for the Protection of Human Rights and Fundamental Freedoms – Non-paper on judicial review in common foreign and security policy matters

(point 1.2 of the IRG record)

The Commission took note of the information in SI(2018) 482/2 and /3.

4.2. LEGISLATIVE MATTERS

ii) Trilogues

(point 3.1 of the IRG record)

– Work-life balance for parents and carers and repeal of Council Directive 2010/18/EU (Directive) – CASA report – 2017/0085 (COD)

The Commission approved the line set out in SI(2018) 504.

– 'Clean energy' package – Risk-preparedness in the electricity sector and repeal of Directive 2005/89/EC (Regulation) – ZANONATO report – 2016/0377 (COD)

The Commission approved the line set out in SI(2018) 497.

– 'Clean energy' package – Internal Market for Electricity (Regulation – recast) – KARIŅŠ report – 2016/0379 (COD)

The Commission approved the line set out in SI(2018) 499/2.

– 'Clean energy' package – Common Rules for the Internal Market in Electricity (Directive – recast) – KARIŅŠ report – 2016/0380 (COD)

The Commission approved the line set out in SI(2018) 500.

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

– Preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures, and amendment of Directive 2012/30/EU (Directive) – NIEBLER report – 2016/0359 (COD)

The Commission approved the line set out in SI(2018) 495.

– InvestEU Programme (Regulation) – FERNANDES & GUALTIERI report – 2018/0229 (COD)

The Commission approved the line set out in SI(2018) 503.

– Fixing for 2019 of the fishing opportunities for certain fish stocks and groups of fish stocks applicable in the Baltic Sea (Council Regulation) – 2018/0320 (NLE)

The Commission approved the line set out in SI(2018) 507.

4.3. RELATIONS WITH THE EUROPEAN COUNCIL AND THE COUNCIL

iv) Programming of Council business
(SI(2018) 515)

The Commission took note of the information in SI(2018) 515 on the Council meetings between 11 and 24 October 2018.

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

– Fourteenth meeting of the Conference of the Parties to the UN Convention on Biological Diversity (Sharm El-Sheikh, Egypt, 17-29 November 2018) – Draft Council conclusions

The Commission took note of the information in SI(2018) 496 and /2.

– Conclusion and signing, on behalf of the European Union, of the Investment Protection Agreement between the European Union and its Member States, of the one part, and the Republic of Singapore of the other part (Council Decisions) – 2018/0095 (NLE) and 2018/0096 (NLE)

The Commission approved the line set out in SI(2018) 502.

– 37^{th} meeting of the Commission for the Conservation of Marine Antarctic Living Resources (CCAMLR) (Hobart, 22 October to 2 November 2018)

The Commission approved the line set out in SI(2018) 506.

– Position to be taken on behalf of the European Union in the International Maritime Organization's Marine Environment Protection Committee and Maritime Safety Committee on the adoption of amendments to regulation 14.1 of Annex VI to the International Convention for the Prevention of Pollution from Ships and to the International Code on the Enhanced Programme of Inspections During Surveys of Bulk Carriers and Oil Tankers, 2011 (Council Decision) – 2018/0325 (NLE)

The Commission approved the line set out in SI(2018) 508.

– A Political Framework for Crisis Approach (PFCA) in the Central African Republic – European External Action Service working paper

The Commission took note of the information in SI(2018) 511.

– Joint non-paper of the Commission services and the European Stability Mechanism on the potential impact of the introduction of single limb Collective Action Clauses into euro area sovereign bond contracts

The Commission took note of the information in SI(2018) 513.

4.4. RELATIONS WITH PARLIAMENT

vi) Action to be taken on Parliament's legislative resolutions and other resolutions of a legal nature
(SP(2018) 583 et /2)

The Commission decided to empower the Members of the Commission responsible for the sectors in question, in agreement with the PRESIDENT and Mr TIMMERMANS and, if necessary, with the other Members concerned to adopt the amended proposals for transmission to Parliament and the Council, as set out in SP(2018) 583/2, drawn up following the October I 2018 part-session of Parliament, the contents of which were noted.

vii) Results of Parliament's October I 2018 part-session
(SP(2018) 586; SP(2018) 587)

The Commission took note of the information in SP(2018) 586 and SP(2018) 587 on the proceedings of the part-session of Parliament held in Strasbourg from 1 to 4 October 2018.

4.5. RELATIONS WITH NATIONAL PARLIAMENTS, THE OTHER INSTITUTIONS AND BODIES, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

viii) Follow-up to opinions of the European Economic and Social Committee – Plenary session of May 2018
(point 6.3.2 of the IRG record)

The Commission approved document SC(2018) 37/2 on the follow-up by the Commission to the opinions adopted by the European Economic and Social Committee during the May 2018 session, for transmission to that Committee.

ix) Follow-up to opinions of the Committee of the Regions – Plenary session of May 2018
(point 6.4.1 of the IRG record)

The Commission approved, for transmission to the Committee of the Regions, document SR(2018) 25/2 on the action taken by the Commission on the opinions adopted by that Committee at its session of May 2018.

4.6. OTHER BUSINESS

x) Request for immediate intervention by the Commission under Article 12(4) of Regulation (EU) 2016/1037 of 8 June 2016 on protection against subsidised imports from countries not members of the European Union
(point 7.1 of the IRG record)

The Commission approved the line set out in SI(2018) 514.

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. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2018) 416)

ADMINISTRATIVE MATTERS (PERS(2018) 67)

6.1. SECRETARIAT-GENERAL – AMENDMENT OF ORGANISATION CHART (SEC(2018) 430; PERS(2018) 68)

On a proposal from Mr OETTINGER, in agreement with the PRESIDENT, the Commission decided:

– to approve the transfer and change of tasks relating to posts occupied by senior management officials, as reflected in the new organisation chart;

– to create a new directorate and three new units in the Secretariat-General;

– to adopt the new organisation chart set out in SEC(2018) 430;

– to authorise the internal publication of the vacancy notice for the post of Director of the 'External Relations' Directorate (SG.DSG3.H) in the Secretariat-General, as set out in PERS(2018) 68, in accordance with Article 29(1)(a)(i) and (iii) of the Staff Regulations.

These decisions would take effect on 16 October 2018.

6.2. DG HUMAN RESOURCES AND SECURITY – SPECIAL ADVISERS TO THE COMMISSION FROM 10 OCTOBER 2018 TO 31 MARCH 2019 (PERS(2018) 69)

The Commission decided:

– to adopt the list of special advisers to Commission Members set out in PERS(2018) 69;

– to authorise the Director-General of DG Human Resources and Security to implement this decision by signing amendments to existing contracts or new contracts of employment on behalf of the authority empowered to conclude contracts of employment.

These decisions would take effect immediately.

7. SIXTEENTH PROGRESS REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL – TOWARDS AN EFFECTIVE AND GENUINE SECURITY

UNION
(COM(2018) 690 TO /4; RCC(2018) 138)

The Commission approved the communication in COM(2018) 690/4 for transmission to the European Parliament, the European Council and the Council, and, for information, to the national parliaments.

8. PREPARATION FOR THE UNITED KINGDOM'S WITHDRAWAL FROM THE EUROPEAN UNION ON 30 MARCH 2019

9. STATE OF THE NEGOTIATIONS WITH A VIEW TO CONCLUDING AN AGREEMENT WITH THE UNITED KINGDOM SETTING OUT THE ARRANGEMENTS FOR ITS WITHDRAWAL FROM THE UNION UNDER ARTICLE 50 OF THE TREATY ON EUROPEAN UNION

The PRESIDENT invited Mr BARNIER to report to the College on the latest developments in the negotiations the Commission was conducting on behalf of the European Union with the United Kingdom with a view to its withdrawal under Article 50 of the Treaty on European Union.

The PRESIDENT also asked the Secretary-General to present the work currently being undertaken in the Commission departments – coordinated by the Secretariat-General – on preparedness and contingency measures to be ready for all possible scenarios.

The Commission took note of this information.

In addition, on a proposal by the PRESIDENT, the Commission:

– concluded that, although the prime objective remained an orderly withdrawal, accompanied by a transition period, everyone at all levels, in all the DGs and cabinets, should continue to prepare for every eventuality, as reiterated by the

European Council (Article 50) in June 2018 and as stressed by the Commission in its communication of 19 July 2018;

– approved, to this end, the strategy outlined by the Secretariat-General, acting under the authority of the PRESIDENT and in close cooperation with the Commission departments, and particularly the Article 50 Task Force. It urged all these departments to continue to work – actively and discreetly – within the institution to prepare for withdrawal and for the contingency scenario, so that a list identifying all the necessary measures could be ready by mid-November;

– agreed that all the proposed measures thus identified would have to be ready by the beginning of December 2018 at the latest;

– agreed that if contingency measures later proved to be necessary at European Union level, the existing adoption procedures would apply including, where justified, internal procedures to expedite adoption or shorten deadlines.

10. WRITTEN PROCEDURES, EMPOWERMENT AND DELEGATION OF POWERS

10.1. WRITTEN PROCEDURES APPROVED (SEC(2018) 412 ET SEQ.)

The Commission took note of the Secretariat-General’s memoranda recording decisions adopted between 1 and 5 October 2018.

10.2. EMPOWERMENT (SEC(2018) 413 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted between 1 and 5 October 2018.

10.3. DELEGATION / SUBDELEGATION OF POWERS (SEC(2018) 414 ET SEQ.)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation and subdelegation procedure between 1 and 5 October 2018, as archived in D*e*cide.

10.4. SENSITIVE WRITTEN PROCEDURES (SEC(2018) 415 AND /2)

The Commission took note of the sensitive written procedures for which the time limit expired between 8 and 12 October 2018 and of the finalisation written procedure initiated following the weekly meeting of Chefs de cabinet on Monday 8 October 2018.

Draft amending budget No 6 to the general budget for 2018

Mr OETTINGER presented the sixth draft amending budget to the European Union's general budget for 2018. He explained that it consisted primarily of a regular adjustment of revenue as part of an annual procedure. Each year, in May, at a meeting of the Advisory Committee on Own Resources, the Commission and the Member States agreed on the updated forecasts for customs duties and the gross national income and value-added tax bases.

Although the overall volume of own resources was more or less stable, the reduction in customs duties collected in 2018, amounting to EUR 2.7 billion, had to be offset by an equivalent increase in the GNI-based resource, in line with the obligation to balance the Union's budget laid down in the Treaty on European Union. In other words, without this amending budget, the Union's general budget for 2018 would be in deficit. However, Mr OETTINGER pointed out that the overall increase in contributions calculated on the basis of gross national income was not divided equally among the Member States, because it reflected the differences in rates of growth of gross national income recorded in the Member States and changes in the exchange rate in those countries that were not part of the euro area.

As a result of these different factors, only the United Kingdom and Greece would see their GNI-based contribution reduced this year, while the contribution of the 26 other Member States would have to be increased.

Mr OETTINGER explained that these adjustments worked both ways, in that Member States might have to pay more some years and recover some of their contribution in other years. He gave the example of the United Kingdom: its GNI-based contribution had increased in 2014 and 2015, but in 2016 and 2017 it had been able to recover a share of its contributions. The opposite was true of Italy, whose GNI-based contribution had been cut in 2014 and 2015, but increased in 2016 and 2017.

The Member States' Finance Ministries had been kept abreast of the preparation of this amending budget and were informed in May about its financial implications.

He added that the amending budget made only minor adjustments to expenditure, relating primarily to international fisheries agreements.

Taking into account the eight weeks set aside for oversight by national parliaments, Mr OETTINGER concluded that the Commission would have to adopt this draft sixth amending budget by 15 October at the latest.

The Commission took note of this information and approved Mr OETTINGER's proposal. It agreed that draft amending budget No 6 would be formally adopted on Friday 12 October by urgent written procedure (PE/2018/7222).

10.5. GENERAL EMPOWERMENT TO ADOPT COMMISSION IMPLEMENTING REGULATIONS AMENDING CERTAIN ANNEXES TO COUNCIL REGULATIONS CONCERNING RESTRICTIVE

MEASURES ADOPTED ON THE BASIS OF ARTICLE 215 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION
(C(2018) 6668)

The Commission adopted the decision in C(2018) 6668.

It decided to empower the High Representative of the Union for Foreign Affairs and Security Policy, in her capacity as Vice-President of the Commission, to adopt, on its behalf and under its responsibility, Commission implementing regulations amending certain annexes to Council regulations concerning restrictive measures adopted on the basis of Article 215 of the Treaty on the Functioning of the European Union, under the terms set out in C(2018) 6668.

11. OTHER BUSINESS

SECOND ANNUAL REPORT OF THE INDEPENDENT EUROPEAN FISCAL BOARD
(SEC(2018) 424)

The PRESIDENT welcomed Mr Niels THYGESEN, Chair of the Independent European Fiscal Board, and invited him to present to the College the second annual report of this advisory body.

Mr THYGESEN thanked the PRESIDENT for the mandate he had given him as head of the European Fiscal Board, the independence he enjoyed and the valuable support he received from the Commission services. He stressed the importance of maintaining the right balance between the Board’s independence, which was an essential element of its credibility, and the close interaction that it had with the Commission, in particular with a view to gaining access to the information it needed.

He recalled that according to its mandate, the Board’s mission was not to give fiscal policy advice in real time, but that it could analyse the past with hindsight as well as look beyond the current situation in order to help shape the future framework of this policy. If the Board's report gave the impression that it was relatively critical of the past implementation of fiscal surveillance or somewhat impatient with progress in deepening Economic and Monetary Union, it was precisely because of its very prerogatives.

Professor THYGESEN presented the 2018 report by explaining that it contained an in-depth assessment of how the regulatory framework for fiscal policy had worked in 2017 and proposed ways of simplifying this regulatory framework while always bearing in mind the fundamental objective of ensuring the long-term sustainability of national public finances and a certain tolerance of counter-cyclical policies.

The European Fiscal Board was still convinced of the merits of the fiscal rules for reconciling national fiscal policies in a monetary union and containing budgetary slippage that could lead to divergence and undesirable fallout. That objective remained essential and therefore it was important not to underestimate the results achieved in the years after the financial crisis peaked – between 2011 and 2013.

However, analysis of the current year raised concerns. Although 2017 marked a turning point for the euro area, with strong growth expected to continue in 2018 and 2019, the flexibility allowed in the implementation of the fiscal rules had slowed down the fiscal adjustment of a number of heavily indebted Member States. Moreover, the question remained as to how such flexibility could be applied in a transparent manner in order to draw more clearly the boundary between purely economic analysis and consideration of factors of a more political nature which entered into the Commission's recommendations. In the Board's opinion, a thorough revision of the current framework should be preferred over the incorporation of additional exemptions into it. Moreover, that revision would become necessary when the proposals on the creation of a European fiscal capacity were presented, for which simplification of the rules would be a prerequisite.

Mr THYGESEN then turned to the key messages of the 2018 annual report. He said firstly that although some macroeconomic indicators for the euro area and the Union as a whole were clearly better than expected, the Stability and Growth Pact had not been adapted, in particular because of an asymmetry of the rules and the margin of discretion applied. There was also unbalanced management of windfall gains: the Member States whose public finances were performing well had taken advantage of the windfall to further strengthen them and the heavily indebted Member States had spent a large proportion of the additional revenue. Thus, 2017 had been a missed opportunity to speed up debt reduction and to build up fiscal buffers in the Member States where they were needed. Moreover, the recent attempts to simplify the rules of the Stability and Growth Pact had not been pursued in a consistent manner, whereas a thorough reform seemed to be necessary.

Against that background, he examined the cases which, in the Board's view, displayed somewhat excessive tolerance, as well as the recent innovations made to the pact which the Board considered had instead increased its complexity. He then presented the conclusions of the report regarding the guidelines set out in the January 2015 Communication entitled 'Making the best use of the flexibility within the existing rules of the Stability and Growth Pact', while bearing in mind the evolution of the fiscal stance from the second half of 2016 onwards.

Mr THYGESEN finished by presenting the proposals of the independent European Fiscal Board to significantly simplify the regulatory framework associated with fiscal governance. It thus proposed (i) a single budgetary parameter consisting in reducing debt to 60% of gross domestic product, (ii) a single criterion to be examined, namely net growth in public expenditure, (iii) a single escape clause, for example due to an economic downturn or unforeseen events, (iv) less invasive surveillance over a three-year cycle, and finally (v) updated governance involving the Commission, the Council and the independent bodies responsible for economic analysis in the context of the escape clause.

Mr DOMBROVSKIS thanked Mr THYGESEN for the independent analysis presented in the second report of the European Fiscal Board, which he considered to be substantial and comprehensive. He noted the more critical tone of the report regarding the application of the Stability and Growth Pact by the Commission and the Council. Although he accepted with good grace some of the criticisms made, in particular regarding the question of the correction of excessive deficits in times of economic recovery, or the inconsequential nature of the significant deviation procedure under the preventive arm of the pact for the non-euro area States, he nevertheless stressed that those elements largely reflected the limits of the legislation in force.

With regard to the fiscal stance for 2017, he recognised that, with hindsight, an overall neutral stance would have been appropriate and that the individual performance of each Member State could have been better, in particular to create fiscal space in the most indebted States, in the context of favourable economic conditions.

He also thanked Mr THYGESEN for having contributed to the forward-looking discussion on a simplification that could be made to the Union’s budgetary rules and governance framework, in other words the ‘six-pack’ and the ‘two-pack’ legislation, under the political responsibility of the next Commission.

Mr DOMBROVSKIS said that the Commission fully understood the need to reconsider the design of the rules and of the governance framework, which had become highly complex. Nonetheless, he felt that to believe that this complexity could be resolved solely by simplification was to confuse the causes with the symptoms. Generally speaking, he felt it was reasonable that the main operational target should be to tie governance more closely to public debt levels and to the evolution of those levels, and to take the net expenditure path as a benchmark.

He also noted the importance of achieving a good balance between technical analysis and political judgement. Both of these elements were essential, since the rules lost their credibility if the objectivity of the analysis could be called into question, and since the rules could not be applied mechanically without a degree of political discretion.

Given the excellent work done by the European Fiscal Board under Mr THYGESEN's authority, Mr DOMBROVSKIS suggested in conclusion that the Board's term of office, due to expire in October 2019, be extended to ensure the continuity of its work.

Ms THYSSEN welcomed the fact that the Commission could benefit from the independent evaluation of the European Fiscal Board. She noted that in the Board's opinion, the Commission had applied the Stability and Growth Pact too leniently. She stressed, however, that there had been profound changes in the labour market in recent years, that the average level of weekly working hours was continuing to stagnate, that certain Member States, particularly with regard to the labour market, had still not fully emerged from the crisis and that they needed more time to consolidate their economic recovery. She also referred to the inevitable gaps between forecast and actual growth rates. Although the Commission had been able to draw on in-depth analyses combining all the relevant elements, she felt it was essential for it to use its political judgement to assume responsibility for its recommendations on economic governance.

Ms THYSSEN also agreed with the point that the applicable rules on economic governance were too complex and therefore difficult to apply. This justified simplifying them, particularly in order to better support economic cycles and prevent disinvestment. Lastly, she emphasised the importance of continuous dialogue in the process of economic governance, particularly with the social partners.

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

– the difficulty for governments of explaining to public opinion in their respective countries the need to take advantage of good economic times to bring down States' deficits and government debt;

- the tendency observed whereby certain low-debt Member States had lowered their debt still further in periods of economic growth, while other countries that were heavily indebted had been inclined, in the same circumstances, to increase their deficit;

- the case for considering simplifying the economic governance rules to make them easier to apply, based on the principle that what could not be explained could not be defended;

- the importance of simplifying the use of the flexibility clauses at the risk of making implementation of the Stability and Growth Pact still more complex;

- for some Members, the need for the Commission to continue to give priority to a modulated application of the Stability and Growth Pact in view of the reduction in budgetary revenue in 2017; for others, the importance of restoring fiscal space while the economic situation was favourable, in order to better protect people in times of recession;

- a word of caution against the extensive use of the flexibility clauses, which were sometimes misused, for example in order to stabilise a political situation.

Mr DOMBROVSKIS pointed out that using the flexibility clauses should become less frequent in future with the economic recovery. He also stressed the importance of the social dimension of the process of economic governance, which justified an ongoing dialogue with the social partners.

Mr THYGESEN thanked the Members of the Commission for their observations and noted that overall the economic governance rules had been properly applied. However, at the time of the economic and financial crisis, it would doubtless have been wiser to allow more flexibility earlier. He felt that the rules played an important role and that the real question to be asked was how to integrate, in a transparent manner, a degree of political discretion when applying them. He considered that although the flexibility clauses were justified, their effect had nevertheless often been to complicate the European system of economic governance to the point of making its application difficult. Simpler rules would doubtless have enabled the College to avoid methodological discussions about their application. Lastly, he observed that the recommended reforms of governance were based on analyses that were usually shared by the international financial institutions.

Mr THYGESEN concluded by thanking the Members of the Commission for the trust they had shown in him by proposing that the term of office of the European Fiscal Board be extended.

The PRESIDENT wound up the discussion by thanking Mr THYGESEN for the quality of the report presented, which the Commission would draw on when preparing the forthcoming European Semester.

He also noted the College's agreement to the extension of the term of office of the independent European Fiscal Board.

The Commission took note of this information and these conclusions.

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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 11.32.