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SECRETARIAT-GENERAL

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Brussels, 17 July 2002

MINUTES
of the 1575th meeting of the Commission
held in Brussels
(Breydel)
on Wednesday 10 July 2002
(morning)

These minutes were approved by the Commission at its 1576th meeting, held in Brussels on 17th July 2002.

They contain 23 pages.

TABLE OF CONTENTS

Attendance list	5-6
------------------------	------------

1. AGENDAS (OJ(2002)1575/3; SEC(2002)767/2).....	7
2. WEEKLY MEETING OF CHEFS DE CABINET (SEC(2002)1575)	7
3. APPROVAL OF MINUTES	7
3.1. SPECIAL MINUTES OF 1573rd MEETING (26 June) (PV(2002)1573, Part II and /2).....	7
3.2. MINUTES AND SPECIAL MINUTES OF 1574TH MEETING (2 July) (PV(2002)1574 and /2; (PV(2002)1574, Part II)	7
4. PARLIAMENT	8
4.1. JULY PART-SESSION (SP(2002)2228)	8
4.2. ACTION TO BE TAKEN ON PARLIAMENT'S OPINIONS (SP(2002)2223).....	8
5. PERMANENT REPRESENTATIVES COMMITTEE (SI(2002)844)	8
COUNCIL AFFAIRS GROUP	8
6. MONITORING THE APPLICATION OF COMMUNITY LAW: STATE AID AND INFRINGEMENTS (C(2002)2410 TO /3; C(2002)2435 TO /5; SEC(2002)754).....	10
6.1. STATE AID - CASES DEFERRED	10
6.2. INFRINGEMENTS - REPORT A1/2002 - CASES DEFERRED BECAUSE OF NON-AVAILABILITY OF DOCUMENTS - REGULARISATION (SEC(2002)754)	10
7. WRITTEN PROCEDURES AND EMPOWERMENT	11
7.1. WRITTEN PROCEDURES APPROVED (SEC(2002)768 to /5)	11
7.2. SENSITIVE WRITTEN PROCEDURES (SEC(2002)769).....	11
7.3. EMPOWERMENT (SEC(2002)770 to /6).....	11

7.4. DELEGATION AND SUBDELEGATION OF POWERS	12
8. ADMINISTRATIVE AND BUDGETARY MATTERS (SEC(2002)771/2)	12
ADMINISTRATIVE MATTERS (PERS(2002)108)	12
8.1. DG TAXUD - CREATION OF A POST OF CHIEF ADVISER AND TRANSFER TO THAT POSITION OF AN A2 OFFICIAL	12
8.2. DG TAXUD.A - REDEPLOYMENT OF AN A2 OFFICIAL TO A POST OF DIRECTOR.....	12
8.3. DG FISH.B - A2 POST OF DIRECTOR	13
BUDGET MATTERS	13
8.4. PROPOSAL FOR A PARLIAMENT AND COUNCIL DECISION ON THE MOBILISATION OF THE FLEXIBILITY INSTRUMENT (COM(2002)399 and /2).....	13
9. PARLIAMENT (CONTINUED FROM ITEM 4)	14
Ms DE PALACIO's MEETING WITH PARLIAMENT'S CONFERENCE OF COMMITTEE CHAIRMEN (STRASBOURG, 2 JULY)	14
10. MID-TERM REVIEW OF THE COMMON AGRICULTURAL POLICY (COM(2002)394 TO /5; SEC(2002)800; SEC(2002)803).....	15
11. RICE MARKET - COMMON ORGANISATION AND MEDIUM-TERM FORECASTS (SEC(2002)788 TO /3; SEC(2002)800)	19
12. REPORT ON MILK QUOTAS (SEC(2002)789 TO /4; SEC(2002)800)	20
13. COUNCIL MEETINGS (SI(2002)842)	20
ECONOMIC AND FINANCIAL AFFAIRS (BRUSSELS, 12 JULY)	20
14. RELATIONS WITH NON-MEMBER COUNTRIES.....	21
14.1. EU-UKRAINE SUMMIT (COPENHAGEN, 4 JULY).....	21
14.2. EU-JAPAN SUMMIT (TOKYO, 8 JULY)	21

14.3. EU-UNITED STATES TRADE RELATIONS: RETALIATION MEASURES

<i>(SEC(2002)810).....</i>	<i>22</i>
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Single sitting: Wednesday 10 July (morning)

The sitting opened at 0930 hours with Mr Prodi, President, in the chair.

Present:

Mr PRODI President

Mr KINNOCK Vice-President

Ms de PALACIO Vice-President

Mr MONTI

Mr FISCHLER

Mr LIIKANEN

Mr BOLKESTEIN

Mr BUSQUIN

Mr SOLBES

Mr NIELSON

Mr VERHEUGEN

Mr PATTEN

Mr LAMY

Mr BYRNE

Mr BARNIER

Ms REDING

Ms SCHREYER

MS WALLSTRÖM

Mr VITORINO

Ms DIAMANTOPOULOU

Except part of item 10

The following sat in to represent absent Members of the Commission

Mr PAULGER	Chef de cabinet to Ms Reding	Part of item 10
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The following also sat in

Mr MARENCO	Deputy Director-General, Legal Service	
Mr MANSERVISI	Chef de cabinet to the President	
Mr FAULL	Commission Spokesman	
Mr DE LECEA	Adviser in the President's Office	Items 10, 11 and 12
Mr CALLEJA CRESPO	Chef de cabinet to Ms de Palacio	Items 4 to 12
Mr PIRZIO-BIROLI	Chef de cabinet to Mr Fischler	Items 4 to 12
Mr HANIOTIS	A member of Mr Fischler's staff	Items 4 to 12
Mr JOCHEN	A member of Mr Bolkestein's staff	Items 4 to 12
Mr GUTH	Chef de cabinet to Ms Schreyer	Items 4 to 12
Mr ARP	A member of Ms Wallström's staff	Items 4 to 12
Ms CORUGEDO STENEGERG	Press and Communication DG	
Mr KREUZHUBER	Press and Communication DG	
Mr KEMPPINEN	Press and Communication DG	

Secretary: Mr O'SULLIVAN, Secretary-General, assisted by Mr BISARRE, Director in the Secretariat-General.

1. AGENDAS

(OJ(2002)1575/3; SEC(2002)767/2)

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

2. WEEKLY MEETING OF CHEFS DE CABINET

(SEC(2002)1575)

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

3. APPROVAL OF MINUTES

3.1. SPECIAL MINUTES OF 1573rd MEETING (26 June)

(PV(2002)1573, Part II and /2)

The Commission approved the special minutes of its 1573rd meeting.

3.2. MINUTES AND SPECIAL MINUTES OF 1574TH MEETING (2 July)

(PV(2002)1574 and /2; (PV(2002)1574, Part II)

The Commission approved the minutes and special minutes of its 1574th meeting.

4. PARLIAMENT

4.1. JULY PART-SESSION

(SP(2002)2228)

The Commission took note of the information supplied relating to Parliament's part-session from 1 to 4 July.

4.2. ACTION TO BE TAKEN ON PARLIAMENT'S OPINIONS

(SP(2002)2223)

The Commission approved the proposed empowerment decisions relating to action to be taken on the amendments presented by Parliament under the codecision and consultation procedures (see list produced by the Secretariat-General in SP(2002)2223).

5. PERMANENT REPRESENTATIVES COMMITTEE

(SI(2002)844)

COUNCIL AFFAIRS GROUP

The Commission took note of the record of the meeting of the Council Affairs Group held on Friday 5 July (SI(2002)844).

It paid particular attention to the following:

a) Agreement with the countries of Central and Eastern Europe and Cyprus establishing a single European airspace

The Commission instructed its representatives in Coreper to continue contacts with the Member States most concerned while continuing to defend the approach of exclusive Community competence, so that any solution to the

difficulty raised by certain Member States would comply with the principle of exclusive competence.

b) Impact on the Commission's working methods of the conclusions of the Seville European Council concerning the reform of the structure and operation of the Council

The Commission took note of the conclusions reached at the CAG meeting on the reform of the structure and operation of the Council, as set out in SI(2002)844.

It agreed to enter this question on the agenda for a future meeting (possibly Wednesday 28 August) and, to this end, asked the Secretariat-General, in liaison with the Legal Service, to prepare an analytical note on the Council conclusions in this matter, particularly on the following:

- preparations for meetings of the European Council through a single channel (Coreper and Council (General affairs and external relations)), including the arrangements for involving the Economic and Financial Committee on questions concerning economic and monetary union;
- the effects of the future adoption by the European Council of multiannual strategic planning (the first strategic programme was scheduled to be adopted in December 2003) and, by the Council (General affairs), of an annual operational programme of Council activities, including the involvement of Parliament in this process.

6. MONITORING THE APPLICATION OF COMMUNITY LAW: STATE AID AND INFRINGEMENTS

(C(2002)2410 to /3; C(2002)2435 to /5; SEC(2002)754)

6.1. STATE AID - CASES DEFERRED

The Commission adopted the following decisions:

C 55/2001 (ex NN 98/2000) FINLAND

Åland Islands captive insurance companies

(C(2002)2410 to /3)

Decision: to close the Article 88(2) proceedings by adopting the
negative final decision in C(2002)2410/2 and /3.

NN 17/2001 FRANCE

Levy on meat purchases (rendering levy)

(C(2002)2435 to /5)

Decision: to open proceedings under Article 88(2)EC in respect of
the measure in question, as set out in the letter in
C(2002)2435/5.

6.2. INFRINGEMENTS - REPORT A1/2002 - CASES DEFERRED BECAUSE OF NON-AVAILABILITY OF DOCUMENTS - REGULARISATION (SEC(2002)754)

The Commission adopted the decisions in SEC(2002)754.

7. WRITTEN PROCEDURES AND EMPOWERMENT

7.1. WRITTEN PROCEDURES APPROVED

(SEC(2002)768 to /5)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted by written procedure between 1 and 5 July.

7.2. SENSITIVE WRITTEN PROCEDURES

(SEC(2002)769)

The Commission took note of the following written procedures initiated between 1 and 5 July for the adoption of decisions with political implications:

Time limit: 08.07.2002

E/2002/1216 - C(2002)2535 DG INFSO and DG COMP

Commission guidelines on the market analysis and the assessment of significant market power under the regulatory framework for electronic communications networks and services

Time limit: 12.07.2002

E/2002/1287 - COM(2002)396 DG TREN

Proposal for a Parliament and Council Regulation on the prohibition of organotin compounds on ships

7.3. EMPOWERMENT

(SEC(2002)770 to /6)

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the empowerment procedure between 1 and 5 July.

7.4. *DELEGATION AND SUBDELEGATION OF POWERS*

The Commission took note of the Secretariat-General's memoranda recording decisions adopted under the delegation procedure between 1 and 5 July, as archived on the "Greffé 2000" (Registry) website.

8. ADMINISTRATIVE AND BUDGETARY MATTERS

(SEC(2002)771/2)

ADMINISTRATIVE MATTERS

(PERS(2002)108)

8.1. *DG TAXUD - CREATION OF A POST OF CHIEF ADVISER AND TRANSFER TO THAT POSITION OF AN A2 OFFICIAL*

The Commission, in agreement with the PRESIDENT and Mr BOLKESTEIN, decided to create a post of Chief Adviser attached to the Director-General for Taxation and Customs Union, and to fill it by transferring, with his post and in the interest of the service, Mr Alfred KOMAZ, an A2 official, currently Director of Directorate TAXUD.A (General affairs).

This decision would take effect from 1 September.

8.2. *DG TAXUD.A - REDEPLOYMENT OF AN A2 OFFICIAL TO A POST OF DIRECTOR*

The Commission, in agreement with the PRESIDENT, Mr FISCHLER and Mr BOLKESTEIN, decided to transfer, in the interest of the service and under the policy on the mobility of senior officials, Mr Manuel ARNAL MONREAL, an A2 official, currently Director of

Directorate FISH.C, to the post of Director of Directorate TAXUD.A
(General affairs).

This decision would take effect from 1 September.

8.3. *DG FISH.B - A2 POST OF DIRECTOR*

The Commission had before it applications under Article 29(1)(a) of the Staff Regulations for the A2 post of Director in Directorate B (External policy and markets) in the Fisheries DG (PERS(2001)222, /2 and /5).

The Commission took note of the opinions of the Consultative Committee on Appointments of 16 October and 22 November 2001 (PERS(2001)222/3 and /4) and 18 March and 20 April 2002 (PERS(2001)222/6 and /7).

The Commission proceeded to compare the applicants' qualifications for the post. It also examined the reports on their ability, efficiency and conduct in the service. On a proposal from Mr KINNOCK, in agreement with the PRESIDENT and Mr FISCHLER, it then decided to appoint Mr Cesar DEBEN ALFONSO to the post.

This decision would take effect from 1 October.

BUDGET MATTERS

8.4. *PROPOSAL FOR A PARLIAMENT AND COUNCIL DECISION ON THE MOBILISATION OF THE FLEXIBILITY INSTRUMENT (COM(2002)399 and /2)*

Subject to final legal revision of the text, the Commission adopted the proposal in COM(2002)399/2 for transmission to Parliament and the Council.

9. PARLIAMENT (continued from item 4)

***Ms DE PALACIO's MEETING WITH PARLIAMENT'S CONFERENCE OF
COMMITTEE CHAIRMEN
(STRASBOURG, 2 JULY)***

Ms de PALACIO reported on her exchange of views with Parliament's Conference of Committee Chairmen, essentially covering four points:

- consideration of the state-of-play report on the Commission's work programme for 2002, which had been judged satisfactory;
- the structured dialogue process between Commission Members and the relevant parliamentary committees on the political priorities for 2003 (annual policy strategy), which was felt to be generally satisfactory but could be improved and simplified;
- the format of the presentation to Parliament in November 2002 of the Commission's legislative and work programmes for 2003, which should be accompanied by a complete list of legislative and non-legislative proposals planned by the Commission - to be combined with the rolling programme - to enable better monitoring of the Commission's activities by Parliament;
- a specific request by Parliament that the Commission explicitly solicit Parliament's opinion in the covering letters of non-legislative or prelegislative documents such as white papers, green papers and documents concerning justice and home affairs.

Ms de PALACIO stated that, on the last point, she had undertaken to review the present system of transmission and to take appropriate measures to remedy this situation.

The Commission approved the guideline proposed by Ms de PALACIO as regards the transmission to Parliament of documents for an opinion, and asked the Parliamentary Affairs Group, under the authority of Ms de PALACIO, to define the arrangements for its implementation.

It also asked Directorates-General and departments to make their contributions to the drawing-up of the complete list of legislative and non-legislative initiatives to be annexed to the Commission's legislative and work programmes for 2003.

10. MID-TERM REVIEW OF THE COMMON AGRICULTURAL POLICY (COM(2002)394 to /5; SEC(2002)800; SEC(2002)803)

The PRESIDENT introduced the debate by emphasising the major political importance of the proposals presented by Mr FISCHLER, as well as the quality of the preparatory work carried out by departments and Members' Offices.

He reminded the meeting of the fundamental philosophy underlying these proposals, which consisted, in keeping with the objectives of the common agricultural policy defined by the Berlin European Council and then by the Gothenburg European Council, to continue to support farmers' incomes while improving the results of agricultural activity as regards food quality, preservation of the environment, animal welfare, the countryside and the cultural heritage, and strengthening social justice.

He reviewed the main lines of the proposals tabled for Commission approval, viz.:

- to break the link between production and direct aid;
- to make direct aid subject to compliance with environmental, food safety, animal health and welfare, and occupational safety standards;

- to increase rural development aid substantially with a corresponding reduction in direct payments, except for small farmers;
- to put in place a system of agricultural audit;
- to introduce new rural development measures to improve the quality of production, food safety and animal welfare, and to cover the costs of the agricultural audit;
- to improve the support system for certain market organisations.

These proposals fully complied with the general guidelines and financial framework defined in Agenda 2000, and would bring about some simplification of the management of the CAP.

Mr FISCHLER reminded the meeting of the various considerations that had to be taken into account, viz.:

- the terms of the mandate adopted by the Dublin European Council and the Gothenburg European Council (sustainable development), including the obligation to comply with the financial framework of the financial perspective up to 2006;
- the criticisms made by the Court of Auditors of various common market organisations;
- the effects of adopting the "Everything but arms" proposal concerning the import arrangements for agricultural products from the least-developed countries;
- the expectations of Union citizens, following recent publicity given to environmental protection and food safety problems.

He explained the amendments proposed for the market management measures:

- cereals: to complete the reform process under way with a final reduction of 5% in the intervention price and a new border protection system;
- durum wheat: a decrease in the specific additional payment in the traditional areas and introduction of a quality premium;
- rice: reduction in the intervention price to world market levels, accompanied by compensation for producers through direct aid;
- adjustments for the dried fodder, protein crops and nuts sectors.

As regards the dairy sector, in accordance with the Council's request in May 1999, it was proposed that the Commission adopt a report on the origin and application of the milk quotas regime, together with four alternative scenarios on the future of the European milk market, for transmission as a working document to the Council and Parliament.

He reminded the meeting of the various procedural hurdles to be crossed:

- immediate transmission of this communication to the Council and Parliament with, in support, two working papers relating to the rice sector and the milk products sector;
- presentation in autumn 2002 of legislative proposals to the Council and Parliament;
- adoption of the new system by the Council in spring 2003.

Mr FISCHLER distributed and discussed a chart showing the trend of agricultural expenditure as a percentage of Community gross domestic product over the period 1992-2014.

The Commission held an in-depth exchange of views on various aspects of these proposals:

- the specific nature of the agricultural sector (poor capacity for adaptation to market trends, the multi-functionality of agriculture);
- the need to provide farmers with a minimum degree of predictability for their activities, and to avoid too frequent major reforms;
- the advisability of starting this reform process, in view of the line being taken by the United States with the adoption of its Farm Bill;
- the compatibility of the proposals with the conclusions of the Berlin European Council (mid-term review or fundamental reform);
- compliance with the framework of the financial perspective up to 2006 and trend of expenditure after enlargement and beyond 2006;
- the distinction to be made between the reform to be carried out internally, and the negotiating strategy on the agricultural aspects of the multilateral negotiations in the WTO;
- the implications of breaking the link between production and the payment of aid;
- the implications of the scheme chosen for adjusting aid between the first and the second pillar (full or partial transfer from one to the other; capacity for absorption of additional amounts by the rural development sector; obligation on Member States to cofinance rural development aid);
- the arrangements for and cost of the implementation of the measures on audit and the monitoring of eco-conditionality.

Following this discussion, the Commission adopted two amendments to COM(2002)394/5:

- on page 26 (English version), in paragraph 2.8 "State aid", the first paragraph was amended to read as follows:
"In order to accelerate the implementation of new state aid regimes, the Commission is examining the possibilities of adopting exemption regulations in the field of Agriculture. **For example, a block exemption for various types of state aid would avoid ex-ante notification without relaxing the substance of the current state aid guidelines.** The Commission has already (...)"
- on page 28 (English version), in paragraph 3.2 "External effects", the following sentence was added to the third paragraph:
"We expect others to make comparable efforts in appropriate areas in such a way that this could be translated into international commitments."

Subject to these amendments, the Commission adopted the communication in COM(2002)394/5 for transmission to the Council and Parliament.

The Commission thanked Mr FISCHLER and his departments for the quality of the proposals put before the Commission, and all the departments and Members' Offices for the effectiveness of their preparatory work.

11. RICE MARKET - COMMON ORGANISATION AND MEDIUM-TERM FORECASTS

(SEC(2002)788 to /3; SEC(2002)800)

The Commission asked Mr FISCHLER, in agreement with Mr LAMY, to carry out a final revision of the text, particularly as regards the impact assessment for the "Everything but arms" initiative.

It also decided to transmit SEC(2002)788 as thus amended to the Council and Parliament as a staff working paper.

12. REPORT ON MILK QUOTAS

(SEC(2002)789 to /4; SEC(2002)800)

The Commission approved the working document in SEC(2002)789/4 for transmission to the Council and Parliament.

13. COUNCIL MEETINGS

(SI(2002)842)

ECONOMIC AND FINANCIAL AFFAIRS

(BRUSSELS, 12 JULY)

Mr BOLKESTEIN reported on his analysis of developments on the financial markets, particularly following recent financial scandals in connection with the accounting practices of certain large American companies.

He reminded the meeting that there were two systems of accounting standards, one in the United States and the other in Europe, and pointed to the need, under the action plan on financial services, to work towards convergence between these two systems.

The Commission noted that a technical analysis note of these two accounting systems would be prepared by the relevant departments under the authority of Mr BOLKESTEIN.

14. RELATIONS WITH NON-MEMBER COUNTRIES

14.1. EU-UKRAINE SUMMIT

(COPENHAGEN, 4 JULY)

The PRESIDENT reported on the purpose and results of the summit meeting between the EU representatives (Mr SOLANA, Mr FOGH RASMUSSEN and himself) and the President of Ukraine (Mr KUCHMA) held in Copenhagen on 4 July.

The meeting had provided an opportunity for an initial exchange of views on the creation of an area of economic and political cooperation, given that after enlargement the Union and Ukraine would be immediate neighbours, and on the reforms to be completed beforehand in Ukraine, particularly in the economic and legal areas, to make such cooperation possible.

The implications of enlargement had also been discussed, and a cooperation agreement on science and technology signed between the two parties.

14.2. EU-JAPAN SUMMIT

(TOKYO, 8 JULY)

The PRESIDENT reported on the conclusions of the summit between the European Union and Japan, as set out in a joint statement.

These conclusions highlighted in particular the need for a common approach and improved coordination between the two parties in various subject areas, particularly:

- trade: dispute with the United States over steel; strengthening of WTO and speeding-up of negotiations on all aspects of the Doha development agenda; support for Russia's inclusion in the international system and its accession to the WTO;

- development aid: consolidation of the aid effort and combating poverty; preparations for the Johannesburg summit;
- maintenance of peace and disarmament: conflict in the Middle East; strengthened coordination on disarmament issues; support for the International Criminal Court.

As regards bilateral EU-Japan relations, Japan had expressed a wish to negotiate a cooperation agreement in the scientific and technological field.

**14.3. EU-UNITED STATES TRADE RELATIONS: RETALIATION
MEASURES
(SEC(2002)810)**

The Commission referred to SEC(2002)810, which gave an update on proceedings under way in the trade dispute between the European Union and the United States following the adoption of restrictive measures on imports of steel products.

It noted in particular that a report dealing with products exempt from the application of such measures, and possible compensation granted by the United States, should be sent to the Council before 19 July to enable it to decide on the application of a short list of retaliatory measures even before the possible condemnation by the WTO of the US measures.

In view of timetable constraints and continuing uncertainty about the list of products that could be exempted, the Commission empowered Mr LAMY, in agreement with the PRESIDENT:

- to finalise the report and transmit it to the Council;

- to propose to the Council, if no significant measure for the exemption of certain products had been adopted by the United States, to apply Annex 1 to Council Regulation (EC) No 1031/2002 of 13 June 2002.

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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 1300 hours.