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ČESKÁ SPOŘITELNA

EU OFFICE
Česká spořitelna, a.s.
Poláčkova 1976/2
140 00 Praha 4
tel.: +420 261 073 308
fax: +420 261 073 004
EU_office@csas.cz
http://www.csas.cz/eu

Petr Zahradník
Head of EU Office
+420 261 073 019
pzahradnik@csas.cz

Jan Jedlička
+420 261 073 484
jjedlicka@csas.cz

Alena Smolíková
+420 261 073 308
asmolikova@csas.cz

under the auspices of Pavel Kysilka
member of the Board of ČS

Dear readers,

the end of April and beginning May this year also provides the opportunity to remind ourselves that we have been a member state of the European Union for two years. For some of us this period could be the impetus for a modest celebration, others would be content with a neutral memory, yet others could think of it as an opportunity for critical remarks.

It is clear that the second anniversary of the accession to the European Union does not bear the stamp of originality and irrevocability as the first anniversary, last year. However, we can still say that our school report hasn't changed since last year, we have only gained a deeper knowledge of some "subjects" during the last 12 months and some effects could appear more distinguishable.

We can still assume that the key economic effect directly bound to our membership in the Union is again the excellent performance of our foreign trade, this supports the fact that our firms and companies have found a place in the common internal market. This doesn't concern only the exporters or manufacturers of products. Far from it, it is also still valid for the exporters and providers of services. The second obvious economic effect is still the strong inflow of foreign direct investments, especially for investors from non-European states this factor is becoming a popular and easy way to enter the internal market of the EU.

When we speak of the common internal market, 1 May this year brings a significant change in the free movement of people for workers from the new member states. This partially symbolic step, but a step strongly perceived, gives citizens of the new member states a more equal position on another four national labour markets in the EU (Greek, Spanish, Portuguese and Finnish), with other countries - and some of them quite surprisingly, for example France (when we remember last year's image of a Polish plumber or nurse), proceeded to a certain liberalization of the present procedures. So the orthodox approach persists only in those countries which have a common border with one of the newcomers, especially Germany and Austria, but experience is that even there the entrance of workers from new member states is far from being halted or even outlawed.

An interesting experience comes from the Baltic states for the road to the adoption of the Euro; the Czech Republic started along this road somewhat later that the Baltic countries. Estonia in particular was long considered to be an excellent pupil amongst the EU newcomers and its accession to the Eurozone at the beginning of 2007 was ensured. Nowadays – due to high inflation - it has to postpone this step for at least one year.

May is the month when (thanks to the awakening nature) we recollect more than ever how (un)friendly our behaviour is towards the environment. The present issue of EU news monthly, whose pages you have just opened is devoted to the relationship of the environment and our set level of life standards and requirements of energy resources. I wish you a pleasant reading experience and pleasant thinking about European integration concerns.

Petr Zahradník

The final approval of the future budget framework of the EU for 2007 - 2013 seems to be a formality after the negotiators of key European institutions have agreed on it. The total seven-year framework counts on a budget of EUR 866.4 billion. The European Commission insists on its plan of consolidation of the corporate tax base, although the harmonisation of tax rates is not planned.

BUDGET

The EU Future Financial Framework Deal is Done

At the beginning of April, representatives of the European Parliament, Austrian Chairmanship of the EU Council and European Commission **agreed on the European Union financial outlook for 2007 to 2013**. They thus warded off the threat of a return of the EU budgeting to the year 1988, when only one-year budgets were ratified, instead of multi-year outlooks.

The result is a compromise that **increases the originally proposed financial ceiling by EUR 4 billion to the resulting EUR 866.4 billion**. The State and Government leaders of the EU agreed on EUR 862.4 billion last December and the original proposal of the European Parliament was an increase of EUR 12 billion.

The compromise was very hard to negotiate. During the final phase the member states were prepared to increase contributions by EUR 3.5 billion, while the Parliament insisted on EUR 4 billion. The Commission eventually contributed the missing EUR 0.5 billion, when they suggested a **decrease in general expenses**.

More than half of the increase (EUR 2.1 billion) consists in **expenses for the support of competitiveness**, which is one of the most important goals of the Lisbon strategy:

- Trans-European networks (TEN): EUR 500 million,
- Life Long Learning (Erasmus, Leonardo): EUR 800 mil.,
- research (7th framing programme Research & Development): EUR 300 million,
- competitiveness and innovation (CIP): EUR 400 million,
- social politics (Progress): EUR 100 million.

An additional EUR 300 million should be reserved for the **cohesion politics** (structural funds: cooperation areas). EUR 100 million should be spent on **protection and management of natural resources** (reserve for the future of the Life+ and Natura 2000 programmes). Amounts spent on **youth, culture, health and consumers** should be increased by EUR 500 million.

An amount of EUR 1 billion should increase expenditures of devoted items of the **Union as a global partner** (EUR 200 million for the European neighbour policy and increase of EUR 800 million for the common foreign and security policy).

An increase of EUR 2.5 billion from the **European Investment Bank's equity** by the member states was also arranged. This will enable the creation of up to EUR 30 billion in credits for trans-European networks, small and medium-sized businesses and research purposes. The sum placed outside the budget for extraordinary events will again be EUR 200 million per annum, but it will be possible to use the unspent funds in the following year.

An agreement of "increasing the quality" of using the budget ceiling was also accepted apart from the increase of the budget ceiling. The EU member states should thus **take more responsibility** for correct management of the union funds. The Parliament will also participate in the revision of the union budget itself, which should take place in 2009 according to the agreement of the leaders of the 25.

To make the EU's future financial outlook for 2007 to 2013 definitively valid, it must be **accepted by the European Parliament**, which will take place in May in Strasbourg and it must be unanimously accepted **by the representatives of the member states**.

Even the financial outlook approved by the European Council in December was favourable for the Czech Republic. Since detailed information is not available, we cannot say how much more we received from the increased ceiling. But it will probably be a **minor amount in the total package**. The accord itself is positive in the first place. Rejection of the budget would mean another delay of the future accord and this would mean an additional delay in preparing the key programme documents for drawing from the EU structural funds from the year 2007. The most pessimistic scenarios supposed even provisional expenditures, which would conserve expenses at the level of the year 2006 and thus spoil the chances of multiplying the subsidies from the European structural funds for the new member countries, including the Czech Republic. Let us hope that approval of the proposal will be only a formality and that the key EU institutions will support the compromise proposed according to the approval of their negotiators. http://www.europarl.eu.int/news/expert/infopress_page/034-6970-095-04-14-905-20060330IPR06876-05-04-2006-2006-false/default_en.htm

Last Year the EU Utilized almost the Entire Budget

Last year the European Union **utilized 99% of the planned budget**, only EUR 1.08 billion was left unused. According to the European Commission, this is proof that the EU is able to utilize almost all the available funds. This disproves the argument that an increase in the planned budget would be left unused, claims the European Commission. A great part of the unused funds was also left in the pre-accession

strategy funds, which proves the small absorption capacity of Romania and Bulgaria.

In addition to the unexecuted expenses, the 2005 European budget showed **extra revenue of EUR 1.29 billion**, which was created mainly by third party contributions. **The total surplus in the amount of EUR 2.41 billion** will be transferred into this year's budget and the member states will pay less into the Brussels common treasury. The result for the Czech Republic is a savings in the amount of EUR 22 million in comparison with the last estimation. It is logical that the highest savings will go to the biggest contributors to the common budget - for example, this year Germany will save almost half a billion euros in contributions thanks to last year's surplus.

The total surplus of EUR 2.41 billion equals 2.3% of the total budget, which is **much less compared to the previous years**. Usually the EU budget achieves a much greater surplus – the drawing of the funds is lower than anticipated.

A budget in the **amount of EUR 112.08 billion is accepted for the year 2006** in accordance with the current 2000-2006 financial outlook. EUR 108.37 of this amount will be covered by contributions of the member states, the surplus from 2005 is EUR 2.41 billion and the remaining EUR 1.3 billion comes from third party contributions.

The European budget **must always be executed as balanced**, with revenues equal to expenses.

Surpluses in the EU budget

Year	in mil. EUR	as of total budget
2000	11 613	12,5 %
2001	15 003	15,9 %
2002	7 413	7,8 %
2003	5 470	5,9 %
2004	2 737	2,6 %
2005	2 410	2,3 %

Source: European Commission

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/494

TAXATION AND CUSTOMS UNION

The Commission Insists on the Consolidation of the Corporate Tax Base

At the beginning of April, the European Commission published a **progress report for the consolidation of the corporate tax base**. The substance of the proposal in preparation is the demand to unify the calculation of the corporate tax base in all European Union member states to **enable easier movement of corporations across the Internal Market**. The same rules of tax base calculation will lead to a decrease of the administrative costs of adaptation to the present different and complex tax systems during cross-border activities and to an increase of competitiveness in the corporate sphere. The Member States should retain the power of setting their tax rates. The proposal is to be presented in 2008.

The area of taxes is governed by the principle of unanimous vote in the EU Commission; this means that every state has the power to veto. Some states, led by Great Britain (also Ireland, Slovakia and the Baltic states) are openly against the harmonisation of the tax bases, because they view it as an **overly heavy intervention into the area of direct taxation** and the first step to the unification of tax rates. The Czech Republic is also not a supporter of the proposal. Germany, Austria, Italia, Belgium and Luxembourg, on the other hand support tax base consolidation.

If Commissioner for Taxation and Customs László Kovács does not get all the Member States on his side, he is considers an **extended cooperation procedure**. This procedure enables at least eight member states to agree on common rules within the EU framework, allowing the others to join them at any time.

The proposed measure will undoubtedly contribute to decreased administration costs for companies (especially small and medium-sized companies) when adjusting to foreign tax rules, thus it is an incentive for expansion into other member countries. It also strengthens tax transparency and lucidity. On the other hand, the tax rate will remain the sole tool of the member states concerning corporate tax, which is not the most effective solution. Every member state uses tax deductible items and depreciation to influence companies and stimulate them to the behaviour considered to be best for society (e.g. higher deductible items for research and development, tax deductions for ecologically friendly behaviour of companies or for the employment of disadvantaged groups of citizens, etc.).

A consolidated tax base could be **too strict for same states and too loose for others**. The states will also lose another part of their autonomous fiscal policies, which makes them more vulnerable to asymmetric economic shocks when they don't have their own fiscal policies at hand (eurozone states).

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/448

The Commission presented a softer version of the Services Directive that shows more respect to the opinions of the MEPs. s of 1 May 2006 the citizens of new member states will have the possibility to work in another four states: Greece, Finland, Spain and Portugal, who did not make use of the prolongation of transition restrictions. The European Commission has noted the extensive payment card fees and insufficient functionality of the common internal market in this sector.

INTERNAL MARKET

The Commission wants to Decrease Payment Card Fees

Competition in the payment card sector is endangered, according to the preliminary report on the sector inquiry into the payment card industry, published by the European Commission Economic Competition Office. The report is part of a broader enquiry in the sector of retail banking and enterprise insurance from last June, which should show whether sufficient competition is present in this sector and whether the principles of Common Market are functioning there.

The report names **major price differences** as the greatest problem in the payment card business. In some EU countries the consumers pay 100% more for Visa and MasterCard than in other countries. For companies, the difference could be more than six times as much, which does not show effective functioning of the European Common Internal Market. The high differences in fees are not only regional, but can also occur for different types of clients. For example, **small and medium-sized businesses pay 70% higher fees** on average than large corporations. These facts, together with the high profitability of the payment card sector create concerns in the European Commission that there is insufficient competition in these payment instrument markets.

The Commission report also exposed many **structural and technical barriers** for the entrance of new companies on the market. These are, for example different technical standards in EU countries, which prevent payment card service providers from operating on a pan-European scale. If the currently fragmented markets unified and the competition of service providers increased, EU experts estimate the savings at EUR 100 billion per year.

Interested parties have the opportunity to comment on the Commission report **until 21 June in a public consultation procedure**. After this, the EU Commission will consider action under the EC Treaty antitrust rules or will propose legislative measures in this sector.

The information on fragmentation of payment card services and payment services as a whole is not new. The future unification of different national rules of cash-free and payment card payments should be solved by the **SEPA – Single Euro Payments Area** project. The European banks associated for this purpose in the European payment committee guarantee this project. From an economic point of view, it's more effective if the future standards, procedures, rules and conditions are self-regulated in the industry. This is the reason why we think that the adoption of binding regulatory measures from the European Commission should be the ultimate alternative, which should occur only if bank representatives in the European payment committee couldn't agree. The first pan-European schemes for payment card payments in SEPA should start in the year 2008.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/496

New Services Directive Proposal in the European Parliament

In the European Parliament the European Commission presented a revised proposal of services in the Internal Market Directive. The previous version of this directive proposal, made by ex-Commissioner Frits Bolkenstein was declined by the majority of votes in the Commission during the first reading in February. The present **proposal of the Services Directive respects the amendments that gained visible support amongst the MEPs** during the February full session.

The new proposal **does not contain the country of origin principle**, according to which the providers cross-borders services could act according to the legislation valid in the country where they have their registered offices. In addition, the range of the Directive is close to the MEP's concept. All non-economic services of general interest, such as healthcare services should be excluded. On the other hand, services of general economic interest (e.g. electric power supply, postal services) and, against the will of the EP some social services (e.g. public meals) and legal services (e.g. notaries) should remain within the range of the Directive. The Directive also does not concern those services which are in the range of special sector directives (e.g. financial services, electronic communication and transport).

The third controversial question – the temporary dispatch of workers – was excluded from the directive draft by the full session in February, but because there were major debates and discussions devoted to this issue, the Commission decided to return to it by publishing the **instructions to the Posting of Workers Directive** from the year 1971 to help the member states with correct comprehension and enforcement. According to this directive, foreign workers dispatched across borders are fully subject to the labour law and social legislation of the country in which they work, including the collective agreement. The authorities mustn't prevent them from coming and using extensive administrative requirements, which is not done at present.

Thus the European Commission is now taking a hard stance and it has given the member states one year to remove these barriers. If they don't comply, the Commission is prepared to commence arbitration with them for breaking the law.

The Directive proposal is being accepted in a so-called **co-decision procedure**, where both the European Parliament and the EU Council must agree. The realistic opinion is that it will be approved at the end of this year or the beginning of next year. The European Parliament should no longer be an obstacle, now the representatives of the member states are to act. At an informal meeting of the EU Council, the ministers of the member states pronounced accord with the main characteristics of the proposal, but they wanted a debate on the details.

The revised proposal may seem like a **disappointment for the liberally orientated states**, including the majority of the new member states. There is not going to be a truly common internal market of services established on the base of this directive. On the other hand, the adoption of the Directive is a step forward compared to the present state, which should be welcomed by competition-ready service providers with ambitions to cross borders, not only from the Czech Republic.

http://www.europarl.eu.int/news/expert/infopress_page/056-6969-094-04-14-909-20060330IPR06875-04-04-2006-2006-false/default_en.htm

MEPs for opening the labour markets

The European Parliament **called for an end to the transitional measures restricting the free movement of workers** on the EU labour market. The MEPs advise the member states, which will opt for the prolongation of transitive measures to do so on the basis of an in-depth analysis. The call states that there are no signs of overload in states which opened their labour markets as of 1 May 2004 with no further measures and that fears of massive migration have proven groundless.

The Parliament also expressed regret that there are **measures** valid in some of the member states, **which could be considered to be stricter** than measures valid as of the day of signing the Accession Treaty.

The Parliament also criticized the fact that **long-term residents from third countries are sometimes preferred over citizens from the new member states** of the EU. The Parliament calls upon the older member states to ensure the application of the preferential rule from the 'status quo clause' of the Accession Treaty, according to which the citizens of new member states should be preferred over citizens of non-member states. The Parliament notes that it is necessary to work out the rules for application of this preferential rule as soon as possible.

The Accession Treaty for the ten new members of the EU, signed in April 2003 fixes the transition measures for the free movement of workers in the enlarged EU as of 1 May 2004.

The transition period, which restricts the free movement of workers from eight of the new member States (not concerning Malta and Cyprus) for seven years, is divided into three phases.

- **First phase**: 1 May 2004 – 30 April 2006
- **Second phase**: 1 May 2006 – 30 April 2009
- **Third phase**: 1 May 2009 – 30 April 2011

During the second phase the restriction of free movement of workers will continue only in states, which will announce a decision to preserve the transition period to the Commission until the end of April 2006. The third phase will be started only if a serious disturbance occurs in the labour market of a member state, or if there is danger of this. **The final decision always rests on the member states**; the European Commission and European Parliament can only appeal to the member states.

Only the **United Kingdom**, **Ireland** and **Sweden** opened their labour markets to the citizens of new member states, including the Czech Republic. After the first two-year phase **Finland, Spain, Portugal** and **Greece** announced the end of restrictions as of 1 May 2006. On the other hand, Germany and Austria still insist on strict application of the transition period at least until 2009. The other states (**France, Netherlands, Belgium, Luxembourg, Denmark** and **Italy**) promised to open the labour market to chosen professions or to loosen the rules of access to the market with the outlook of a total opening of the market.

http://www.europarl.eu.int/news/expert/infopress_page/048-6963-094-04-14-908-20060330IPR06869-04-04-2006-2006-false/default_en.htm

EMPLOYMENT AND SOCIAL AFFAIRS

Court of Justice against 'Rolled-up Holiday Pay'

According to the European Court of Justice's decision based on the **Working Time Directive** (2003/88/EC), the minimum four-week holiday during a calendar year cannot be paid if the employee does not take it and transfers it to the next year. The highest court authority in the EU made this decision in a case initiated by the federation of Dutch trade

The Czech Republic is amongst the 17 sinners who haven't transposed the energy market directives correctly. The European Union is prepared to provide exceptional help to European poultry producers, who are battling a decrease of consumption and lower prices of their products resulting from bird flu.

unions, which didn't like the common practice in the Netherlands, where employees did not take the minimum legal holiday, transferred it to the next year and let the employer pay them financial compensation. This procedure was even recommended by the Dutch Ministry of Work and Social Issues, arguing that the minimum legal holiday from previous years is outside the minimum legal limit for a holiday in the given year, thus it is possible to pay compensation for the holiday if the employee does not draw it.

"Financial remuneration for the transfer of the minimum legal holiday for the calendar year could be an incentive to employees to waive their right to rest. It's not important in this respect whether the compensation for a paid holiday is based on a contract or not," stated the Court of Justice in the explanation of its decision. The court also emphasized that the **right to a paid holiday is an important institute in the EU's social legislation**. Only when employment is terminated is it possible to replace this right to a paid holiday during the calendar year with financial compensation.

The European Court of Justice made a clear statement of its concern about the **increased protection of employees** in the EU, when an employee cannot get financial compensation for the transferred holiday, even if he or she agrees on it with the employer.

http://www.curia.eu.int/en/actu/communiques/cp06/aff/cp060024en.pdf

ENERGY AND TRANSPORT

The Commission Fights for Energy Market Liberalisation

At the beginning of March the Brussels watchers of the keeping of acquis communitaire showed their teeth when they **took action against seventeen countries**, including the Czech Republic for failure to adhere to European legislation. The reason is that the countries concerned failed to transfer the directives to open the European electricity and gas markets into their national legislation.

The chief problems found regarding the transposition follow:

- **the persistence of regulated prices**, especially for the benefit of eligible customers, putting obstacles in the path of new market entrants,
- **the lack of legal division** and insufficient managerial separation between electricity and gas transmission and distribution system operators to ensure that they are independent of each other,
- **discriminatory third-party access** to networks and insufficiently transparent tariffs,
- **free choice of supplier**,
- **the authority of regulators**, in particular as regards setting tariffs for access to networks,
- **preferential access** given in the case of certain long-standing electricity or gas contracts,
- **failure to provide notification** of public service obligations and to indicate the origin of electricity properly.

The **Czech party states in defending itself** that the directives were transposed into Czech legislation correctly and sufficiently. "I'm confident that there's a mistake," Deputy Minister of Industry and Trade Jiří Bis told ČTK.

Some countries transposed the letter of the directive correctly, but the spirit and general sense of the measure are insufficiently enforced. This may be one of the principal reasons why **there are pre-liberalisation conditions still prevailing** on the electricity and gas markets, where there are still 25 national markets instead of a common internal market. What's more, the **former state monopolies still dominate** these markets. Another problem is the prevailing regulation of prices.

According to ČTK, the European Commission is interested to see to what extent the market of the concerned country was opened, what is the real possibility of choice between electricity and gas suppliers for the consumers, if there **really is free access to the market** for new entrants, and if powerful independent regulators are keeping watch on the market.

In the case of the Czech Republic, this is a formal notice, which means the **first step in the procedure of breaking European law**. If the accused country does not rectify the error and prove this rectification to the European Commission, this could bring about the second step, the so-called well founded view. If it continues to break European law, an appeal to the European Court of Justice follows.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/430

Will the Union see Intelligent Cars?

The helpless wait for an ambulance after an accident could be halved and 5 - 10% fewer, i.e. 2,500 fewer per year, people could lose their lives on European roads. These should be the effects of **eCall - the on-board automobile emergency call service**, which should use satellites to immediately locate the place of the accident and secure

dispatching of help. Emergency calls should be made manually or, at serious accidents, automatically.

The full scale introduction of the eCall system for all new vehicles by the year 2009 is a priority for a **Union initiative called e-safety**. It should provide services for 100 million people who travel abroad by car every year and increase the safety of road transport.

The eCall system should use **emergency lines 112 and E112** and should be synchronised with the start of operation of the European **satellite navigation Galileo**, scheduled for the year 2010.

The initiative also calls on the member states to:

- finish the introduction of the E112 line as soon as possible
- support the use of lines 112 and E112
- take the steps necessary for the establishment of a proper infrastructure for emergency call centres (language teaching, accessibility, location and call response and to make this infrastructure compliant with the E112 regulation).

Higher initiative in this question is shown by the European Parliament, according to which the system should be used for all vehicles, including heavy transport. The **member states are not yet united** on these proposals.

The European Parliament also took this opportunity to note that some states don't sufficiently use the single European emergency call number 112.

http://www.europarl.europa.eu/news/expert/infopress_page/062-7652-116-04-17-910-20060421IPR07491-26-04-2006-2006-true/default_en.htm

AGRICULTURE

The EU will Support Poultry Producers

The EU Council for agriculture unanimously agreed to provide **extraordinary support for European poultry producers**, who are battling with a decrease of demand resulting from bird flu. The situation is reaching the critical point in some countries. The worst situation is Greece, where poultry consumption has fallen by 70%. Apart from the decreasing demand, the extensive resources of poultry lead to lower prices on the Internal Market, which further worsens the economic situation of this sector.

According to the ministers of agriculture of the member states and the Commissioner for this sector, Mariann Fischer Boel, it is **impossible to react to an exceptional situation using standard support measures** such as export subventions or breed liquidation compensations. As a result the Commission has proposed to institute special market measures, which every member state should suggest to reflect its situation as well as possible.

At first it looked as if the support should go only to those states where a significant decrease of demand was observed, which would exclude the Czech Republic. Later, the argument that lowering prices transfer the problem to the other states was accepted.

http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/agricult/89303.pdf

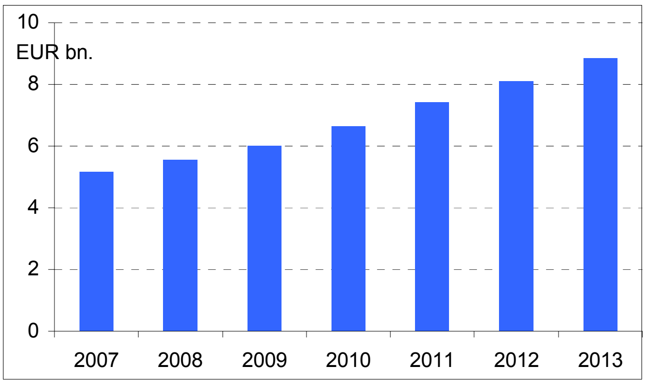
RESEARCH

The 7th Framework Programme Counts on a Budget Increase of 40%

According to the present state of negotiations the 7th framework programme for research and technological development should count on a **budget of EUR 48 billion for the period of 2007-2013**, which means an increase of 40% in comparison with the present state (based on the stable prices of 2004). The original European Commission budget proposal was up to EUR 70 billion.

Within the new financial framework, investments into research and technology are part of the **1A Competitiveness for Growth and Employment**. The European Council agreed in December on a budget in the amount EUR 47.8 billion, which was rejected in January by the European Parliament. The April Compromise negotiated by the Parliament Council and Commission negotiators, which must be approved by these bodies counts on an **increase of EUR 300 million in this chapter to the total of EUR 48.1 billion**.

Proposal of the 7th FP budget for 2007-2013



Source: European Commission based on European Council decision, figures are in 2004 prices

In the fight against piracy and counterfeiting, the Commission proposes a new directive that will enable punishment of the counterfeiters with more than four years' imprisonment. The MEPs propose to place unspent money from the EU structural and cohesion funds into a special reserve available for those countries that are able to use them.

The same fate befell the **new programme titled Competitiveness and Innovations**. The original EU Commission proposal of EUR 4 billion for the full budget period was reduced by the December European Council to EUR 2.9 billion, and then an increase of EUR 400 million, meaning that **approximately EUR 3.3 billion** was achieved in the pre-negotiated compromise.

The same information as previously stated about the financial outlook as a whole is valid for the budgets of both programmes. It is necessary to hope that the European Parliament and European Council **will respect the compromise agreement of their negotiators and will approve the budgets**. After this the European Commission should present new proposals of both programmes, which will count on the newly approved budgets, and primarily to prepare everything to enable the programmes to be launched in January 2007.

http://icadc.cordis.europa.eu.int/fepcgi/srchidadb?CALLER=EN_NEWS&ACTION=D&RCN=25473&DOC=7&CAT=NEWS&QUERY=1

JUSTICE AND HOME AFFAIRS

EU Strongly against Counterfeiting

The European Commission proposed a new measure for **eradicating the increasing number of counterfeited** food, medical and household appliances, which flood the EU Internal Market.

The substance of the new directive for the fight against counterfeiting is the possibility of a **minimum sentence of four years' imprisonment or a maximum fine of EUR 300,000** for intellectual property offences or the counterfeiting of goods. The proposed punishments concern piracy at the business level, not the consumers who have bought the counterfeited goods. The necessity of a harmonisation directive at the community level is given by the differences between the member states, which make the fight against piracy and counterfeiting in the barrier-free environment of the Common Internal Market more difficult, explained Franco Frattini, the Commissioner for Justice, Freedom and Security.

Trade statistics also prove that the flood of pirated goods into the Union, especially from Southeast Asia is a serious problem. According to these statistics, **103 million items of counterfeited goods were confiscated** at the EU borders last year, which is an increase of 1,000 times, compared to the year 1998!

The proposed directive is a revised version of a document presented by the European Commission to the member states last July. At that time it was rejected, because according to primary EU law, the Commission has no right to propose criminal law provisions, as it belongs to the third inter-governmental union pillar. This argument was rejected by the European Court of Justice, according to which the **European Commission has the right to propose measures that concern this sector** if it does so in the areas that are primarily under the governance of the Community, which cleared the way to propose the directive again. But to approve it, it is necessary to have the accord of the European Parliament and representatives of the member states in the EU Council.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/532

REGIONAL POLICY

Unused Money from EU funds into a Special Reserve?

The regional policy committee of the European Parliament supports the idea that the money from structural and cohesion funds that is not spent during the given period **shouldn't be returned to the common European budget, but should create a special reserve**. The reserve could be then used for other member states, which are able to prepare and administrate projects of sufficient quality.

However, **some states** that have less experience with drawing money from European structural funds **don't agree with this measure**, as it will probably mean profit for the more experienced, older member states. The view of the Czech Republic is similar. "We don't support this measure. Only if it were stated that the money from the reserve would remain at the disposal of the state it was appointed to. But this isn't the way things are moving," member of the European Parliament Oldřich Vlasák told ČTK.

This measure was **proposed with five regulations defining the conditions of European regional policies** functioning for the future programme period of 2007 to 2013.

The same level of controversy is seen in the possibility of using EU funds for the reconstruction of prefabricated buildings, which seemed full of promise for the new member states. According to the most recent information, the structural funds **will be usable only marginally for these purposes**. According to the discussed regulation, it will be possible to use for housing a maximum of 3% of the operation programme in question or 2% of the money that the country will receive from the European Fund for Regional Development (the largest structural fund).

http://europa.eu.int/comm/regional_policy/sources/docoffic/official/regulation/newregl0713_en.htm

The MEPs join the subjects calling for improved transparency of the decision process of key European institutions. According to the Eurostat statistics, almost half of the EU's citizens have access to the internet. In the Czech Republic this is just under one fifth, which places us in the shameful penultimate ranking. The EU Council adopted a directive that updates and implements additional rules for auditing company accounts. The goal is the increase of credibility.

3 APRIL

Commission study examines scientific publication system in Europe: http://www.europa.eu.int/comm/research/press/2006/pr3103en.cfm

Television without frontiers directive does not go far enough, says Belgian Minister: http://www.cor.eu.int/en/press/press_06_04031.html

4 APRIL

Energy and Transport: EU energy and transport in figures — statistical pocketbook 2005 (now available): http://www.europa.eu.int/comm/dgs/energy_transport/figures/pocketbook/2005_en.htm

5 APRIL

MEPs call for more transparency in the EU institutions: http://www.europarl.eu.int/news/expert/infopress_page/008-6957-094-04-14-901-20060330IPR06841-04-04-2006-2006-true/default_en.htm

6 APRIL

White Paper "European transport policy for 2010: time to decide" - preparatory works on the mid-term review: http://www.europa.eu.int/comm/transport/white_paper/mid_term_revision/2005_12_31_public_consultation_en.htm

More than 40% of individuals in the EU25 used the internet at least once a week: http://epp.eurostat.cec.eu.int/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_04/4-06042006-EN-AP.PDF

Proportion with internet access

in %	House holds	Enter prises	in %	House holds	Enter prises
Netherlands	78	91	Estonia	39	90
Luxembourg	77	92	Italy	39	92
Denmark	75	97	Spain	36	90
Sweden	73	96	Cyprus	32	85
Germany	62	94	Portugal	31	n/a
UK	60	90	Poland	30	87
Finland	54	98	Slovakia	23	92
Belgium	50	95	Greece	22	92
EU-25*	**48**	**91**	Hungary	22	78
Slovenia	48	96	**CR**	**19**	**92**
Austria	47	95	Lithuania	16	86
Latvia	42	75	Ireland	n/a	92

Source: Eurostat, figures for France and Malta not available

Commission proposes measures to greater protect biodiversity: http://www.europa.eu.int/comm/fisheries/news_corner/press/inf06_18_en.htm

7 APRIL

Launch of negotiations to create a single Free Trade Agreement for the South Eastern European region: http://www.europa.eu.int/comm/trade/issues/bilateral/regions/candidates/pr060406b_en.htm

Services of general interest: EESC calls for independent and uniform evaluation: http://www.esc.eu.int/press/cp/docs/2006/cp_eesc_036_2006_en.doc

10 APRIL

Open for registration - register your own '.eu' domain name: http://www.eurid.eu/en/general/news/from-friday-anyone-within-eu-can-register-their-own-eu-internet-domain-name?set_language=en&cl=en

11 APRIL

2723rd External Relations Council meeting (provisional version to be completed with Development issues): http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/89219.pdf

2722nd General Affairs Council meeting (provisional version): http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/gena/89218.pdf

EU-Croatia Stabilisation and Association Council (Second meeting): http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/er/89217.pdf

Evaluation of the Public Health Programme 2003-2008: http://www.europa.eu.int/comm/health/ph_programme/eval2003_2008_en.htm

12 APRIL

The Interpreters - Parliament is the biggest employer of interpreters in the world: http://www.europarl.eu.int/news/public/focus_page/008-6936-093-04-14-901-20060403FCS06935-03-04-2006-2006/default_en.htm

First meeting of the EU-Lebanon Association Council: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/er/89226.pdf

13 APRIL

Updated documents on Annual budgets, financial reports and accounts for the current and following budgetary years:

http://www.europa.eu.int/comm/budget/documents/annual_budgets_reports_accounts_en.htm

Finalised report of the selection panel for the 2010 European capital of Culture: http://www.europa.eu.int/comm/culture/eac/other_actions/cap_europ/pdf_word/report_cap2010.pdf

14 APRIL

Euro-area GDP growth projection: http://www.europa.eu.int/comm/economy_finance/indicators/euroareagdp_en.htm

18 APRIL

Avian Influenza - more information on additional measures taken against Avian Influenza: http://www.europa.eu.int/comm/food/animal/diseases/controlmeasures/avian/ai_addmeasures_en.htm

European integration - EU launches “twinning” project in Serbia and Montenegro: http://www.ear.eu.int/publications/main/news-a1a2b3cj4.htm

19 APRIL

Parliament's Trade Committee is calling for barrier-free transatlantic market by 2015: http://www.europarl.eu.int/news/expert/infopress_page/026-7411-108-04-16-903-20060411IPR07197-18-04-2006-2006-false/default_en.htm

Photovoltaic Energy Barometer 2006: http://www.energies-renouvelables.org/observ-er/stat_baro/observ/baro172.pdf

20 APRIL

Consolidating the EDPS - second annual report presented: http://www.edps.eu.int/publications/annual_report_en.htm

21 APRIL

MEPs seek answers on high energy prices: http://www.europarl.eu.int/news/expert/infopress_page/017-7417-110-04-16-902-20060411IPR07238-20-04-2006-2006-false/default_en.htm

MEPs and experts call for stronger democracy promotion in Arab countries: http://www.europarl.eu.int/news/expert/infopress_page/030-7415-110-04-16-903-20060411IPR07236-20-04-2006-2006-false/default_en.htm

24 APRIL

Overview of FP6 Projects (Sustainable Energy Systems): http://www.europa.eu.int/comm/energy/res/fp6_projects/concerto_en.htm

European Ombudsman: Most citizens complain about lack of transparency: http://www.euro-ombudsman.eu.int/release/en/2006-04-24.htm

Annual Report 2005, and Executive Summary and Statistics for 2005: http://www.euro-ombudsman.eu.int/report/cs/default.htm#20052009

Civil Protection - more countries request assistance following the floods in central and eastern Europe: http://www.europa.eu.int/comm/environment/civil/floods_2006.htm

25 APRIL

Council adopts new EU rules on audit of company accounts: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/misc/89293.pdf

Enhanced cooperation with the U.S.A: http://www.europol.eu.int/index.asp?page=news&news=pr060424.htm

26 APRIL

2724th Agriculture and Fisheries Council meeting: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/agricult/89303.pdf

Report on the budgetary and financial management 2005: http://www.europa.eu.int/comm/budget/publications/fin_manag_account_en.htm

New Commission Communication addresses 'specificities' of social services: http://www.europa.eu.int/comm/employment_social/emplweb/news/news_en.cfm?id=153

27 APRIL

Public deliberations - 2725th Justice and Home Affairs Council meeting: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/jha/89339.pdf

Evaluation of agro-environmental measures - Final Report November 2005: http://www.europa.eu.int/comm/agriculture/eval/reports/measures/index_fr.htm

28 APRIL

Business and Consumer Surveys (BCS) - April 2006: http://www.europa.eu.int/comm/economy_finance/indicators/businessandconsumersurveys_en.htm

Business Climate Indicator for the EMU (BCI) - April 2006: http://www.europa.eu.int/comm/economy_finance/indicators/businessclimate_en.htm

The accession to the Eurozone and exchange of crowns for Euros will surely be one of the most discussed political and economic measures in the next few years, but the discussion starts now. An interesting entry to the discussion is the opinion of one of the ČNB bank council members, Jan Frait, who reminds us that adoption of the common European currency is a complex project bringing many risks and not a race to adopt the common European currency unit as quickly as possible.

ADOPTING THE EURO IS NOT A RACE

The most frequent question I have had to answer in recent years concerns the date of the adoption of the Euro in the Czech Republic. My uncertain answer is usually followed by the question, how big a problem it will be that some of the new member states will adopt the Euro sooner. I usually reply with a question: Why should this be a problem? Meanwhile, some of the new member states have revised their intentions and the experience of those who want to have the Euro as soon as possible ensure that adopting the Euro is not a race, but the demanding enforcement of a chosen strategy that is not free of risks.

Concerning the adoption of the Euro, I have conducted a great number of discussions concerning the role of the ČNB (Czech National Bank) in this process. The opinions concerning this topic vary from the idea that the ČNB should set clear numeric criteria for the adoption of the Euro, to the opinion that the ČNB should leave all decisions to the public and just "administer" the results in a responsible manner. There is also a variety of ideas as to who the "public" actually is. One of the possibilities is to involve the voters and let them decide in a referendum. The contra-argument is the complexity of the question of when to replace our currency with the "European" kind. The alternative is a common decision of both houses of Parliament, if possible by a constitutional majority based on the recommendation of the Government. And those who see the adoption of the Euro as a given and technical matter would consider a government decision to be sufficient. Thus the ČNB does not in any case steal the mandate on the final decision, but it cannot appear not to be involved, when it is the watchdog of monetary stability.

This is fully in accord with the "Strategy of accession of the Czech Republic to the Eurozone" - Common document of the Government and ČNB from October 2003. The basic premise is the belief of the long-term profitability of adoption of the Euro by a small economy that is strongly integrated into the European market. But this profitability is not automatic, it is conditioned by the fulfilment of many conditions.

The complexity of the “Strategy” is a consequence of the fact that the adoption of Euro means a substantial change in the currency exchange rate. At present the Czech economy runs in the regime of a floating exchange rate, adoption of the Euro means a transition to a fixed exchange rate regime, where it is in addition impossible to change the fixed exchange rate value using devaluation or revaluation. In addition, the convergence of the Czech economy manifests itself by the existence of exchange rate trends, in concrete real and partially also nominal revaluation. Within this framework, the transition towards an irrevocable fixed exchange rate is extremely important. Of course we could find examples of economies which have functioned or have been functioning for long periods with a fixed and unchangeable exchange rate. But certain conditions must be fulfilled to achieve this. Economists approximate these conditions by using the term "elasticity" of the economy. The use of a fixed and stable exchange rate is then logically easier, if a high level of real convergence with key countries of the EMU is already achieved. If the economy is not elastic enough and also has the majority of the real convergence before it, the adoption of the Euro would be a risk.

The “Strategy” explains this clearly. It states that one of the key factors for smooth functioning of the economy after the adoption of Euro is the sufficient accord of the Czech economy with Eurozone economy in the real and financial spheres, a flexible fiscal policy and a correctly functioning labour market. It also states that to take further steps forward in these areas, it is necessary to deepen the structural reforms aimed at increasing the flexibility of the Czech economy and to carry out a second phase of public finance system consolidation, based on its structural reforms.

Considering all the facts, only when the conditions contained in the "Strategy" are met can the Czech economy profit from the adoption of Euro. Fiscal concerns are part of these conditions. I, personally am more of the opinion that the central bank should comment on the public finance and fiscal policy only exceptionally. However, I always warn against using the future adoption of the Euro as a tool to decrease the public finance deficit. Right at the beginning of the process of creation of the Euro, some governments told voters that the fiscal criteria were the main reason for the necessity to lower fiscal deficits. This boomeranged on them later. The voters then logically came up with the idea that "when we already have the Euro, it will again be possible to spend excessively". The result was the reappearance of fiscal deficits, which endanger the long-term stability of the Eurozone.

What if the reforms leading to higher flexibility and long-term sustainability of public finance take us longer than expected? Can we afford to postpone the adoption of Euro for some time? Why not? In the last 10 years the Czech Republic has managed to build a functional system of autonomous monetary policy. The Czech crown is a currency that is trusted by domestic and foreign subjects. That’s why we can step into life with it in future years without being afraid.

Jan Frait, member of the Czech National Bank board

In May we will witness meetings of key EU bodies. Let's hope that both the EU Council and the European Parliament will finally accept the pre-negotiated future financial outlook for the years 2007-2013. One of the noteworthy public consultations opened by the European Commission is the one that considers a potential revision of the Value Added Tax system in the financial sphere. According to the most recent sixth directive for VAT, most financial services are exempt from the duty of paying the tax.

Meeting of the key EU institutions

5.5.2006	**Brussels, Belgium**
- Economic and Financial Affairs Council	
15.-16.5.2006	**Brussels, Belgium**
- General Affairs and External Relations Council	
16.-17.5.2006	**Strasbourg, France**
- European Parliament Plenary	
18.-19.5.2006	**Brussels, Belgium**
- Education, Youth and Culture Council	
19.-21.5.2006	**Eisenstadt, Austria**
- Informal Meeting of Environment Ministers	
22.-23.5.2006	**Brussels, Belgium**
- Agriculture and Fisheries Council	
27.-28.5.2006	**Brussels, Belgium**
- Informal Meeting of Foreign Affairs Ministers	
28.-30.5.2006	**Krems, Austria**
- Informal Meeting of Agriculture Ministers	
29.-30.5.2006	**Brussels, Belgium**
- Competitiveness Council	
31.5.2006	**Brussels, Belgium**
- European Parliament Plenary	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Rights of passengers travelling by sea or inland waterway	DG TREN	30.5.2006
Revision of the Construction Products Directive (CPD) 89/106/EEC	DG ENTR	31.5.2006
Motor insurance issues	DG MARKT	5.6.2006
Community Legislation on the VAT treatment of financial services	DG TAXUD	9.6.2006
Intra-Community circulation of defence related products	DG ENTR	30.6.2006

We devoted our attention to the EU energy policy on the pages of our EU news monthly last autumn. Since in the meantime there were great strides taken in some of the events and that the European Commission published its Green Book, we return to this theme after a few months.

EU ENERGY POLICY FROM THE GREEN BOOK POINT OF VIEW

The view of the energy sector in the EU and European Integration is slowly changing. It is not such a radical change as would seem from the freshly published strategy of European energy in the Green Book published in March 2006, because right at the beginning of the '90s, emphasis on savings and ecological consideration became part of the energy doctrine. Their importance, however started to increase rapidly in this period. The development of the geopolitical situation as well as the global energy market and the estimated development of energy demands for energy resources from countries such as China, India and others, increases the necessity of considerations of a new quality of handling energy according to the subtitle of the Green Book: European Strategy for Sustainable, Competitive and Safe Energy.

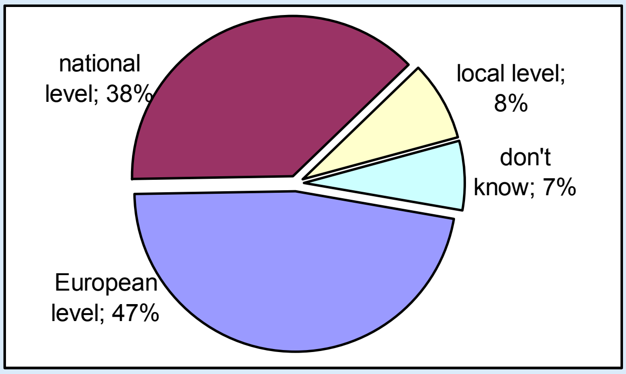
The seriousness of considerations in the energy sector in a pan-European context is further strengthened not only by the following conditions and needs, but also by the growing demand for solving energy questions on the pan-European platform from EU citizens. These conditions and needs are especially:

- **high need of investments into the energy infrastructure**, the needs of energy investments are estimated at approximately EUR 1 trillion over the next 20 years, these needs are result of the estimated increase in demand and also from the necessity to restore existing but ageing capacities;
- **need to stop energy dependence on imports**; currently approximately 50% of the energy is imported, if projects to increase the ratio of renewable resources are not realized, imported energy dependency will increase over the next 20 - 30 years to 70%;
- even **stronger ratio of import dependency** concentrated in a very small number of countries can be noted in the case of natural gas, where half of the EU consumption is covered by the supply from three countries – Russia, Norway and Algeria, during the next 20 – 30 years the ratio of these countries should be increased to 80%;
- **the demand for energy in the world is constantly increasing**, the increase is estimated at an additional 60% by 2030, the estimated increase of demand for oil during this period is 1.6% per year;
- **oil and gas prices are increasing significantly,** these prices almost doubled in 2004-2005, the increase was transferred into the prices of electricity and there is only a small hope for consumers that the situation will change to their benefit: the demand for fossil fuels is increasing rapidly; supplier chains are complicated; the dependence on key imports will increase;
- there still are no **fully competitive internal energy markets** developed in Europe, if these markets exist, they will provide EU citizens and business subjects with the advantages of secured supplies and lower prices.

Eurobarometer for the European energy policy

Most of the EU's citizens (47%) would prefer the adoption of decisions for new energy appeals on the level of the EU as a whole, they comprise within these appeals the security of energy supply, measures reacting to the growth of energy consumption and climate changes. Around 37% of the EU's citizens prefer solving these questions on a national and 8% on a regional level. The results of the Eurobarometer were processed and published by the General Directorate of the European Commission for Energy and presented at the end of January 2006 by Commissioner Andris Piebalgs.

The most appropriate level to take decisions?



Source: Eurobarometer

Other main findings of the opinion poll:

- When asked what the National Governments should focus on in order to reduce the current energy dependency, Europeans clearly support the enhanced use of renewable energies, particularly solar energy and to a lesser extend wind power.
- As consumers, Europeans seem to give some consideration to the idea of using less energy: in their purchasing decisions, almost 6 out of 10 citizens pay a lot of attention to the energy consumed by cars or household equipment. Though, the attention paid is lower when it comes to the energy consumed by more banal equipment (light bulb).
- Regarding renewable energies, 54% of Europeans are not prepared to pay more for them, However 27% are prepared to do so provided the price increase is limited

to 5%. Yet, there are still significant differences between former and new Member States, with the latter group being clearly more reluctant to pay higher prices for “green energy”.

- Reducing energy consumption seems to be a realistic goal on a short term basis: more than 5 out of 10 Europeans would appear to be willing to reduce their energy consumption and 5% would make this change even if it implies paying more.
- It seems that a potential price increase of fuel could have an impact, although limited, on car use. Other active policies are necessary to promote the use of alternative means of transport.

The European Union and its institutions monitored this development throughout the ‘90s and this decade. However, the year 2005 brought increased attention in the sense of adopting several activities in the Council in October and December. The common basis of these activities is the belief, that an attitude based just on 25 individual energy policies is insufficient now.

The statement of the energy policy at the EU level as a **common** policy is a long-term task. To complete it, it is necessary to set a clear framework within which it will be fulfilled. At present this framework stands on **six items, six priority areas.**

1. Energy for growth and jobs in Europe: completing the internal European electricity and gas markets

This item comes from the belief that sustainable, competitive and safe energy can’t be achieved without an open and competitive energy market, which functions on the basis of economic competition of corporations in this market.

A truly competitive common European market of electricity and gas will lead to lowering of the prices, better securing of the supplies and increase of competitiveness. This effect will occur even in the area of environmental protection, when corporations react to the competition by closing energy-ineffective establishments.

As of July 2007 every consumer in the EU – with a few exceptions – will have the right to purchase electricity and gas from any EU supplier. Still, many national markets remain intra-state, dominated by a small number of companies. The approaches of member states to opening the markets differ – including the powers of regulatory bodies, level of independence of the network providers from an economic competition point of view, rules for distribution networks, regimes of balancing or storage of gas.

The end of the year 2006 is very important for the opening, because it is the deadline for member states to adopt a second series of directives concerning electricity and gas and for the European Commission to evaluate the competitive environment. Pursuant to the **Energetic Policy Strategy** it seems clear that attention within this area will be focused on:

- **European distribution network**;
- **priority interconnection plan**;
- **investments into electricity producing capacities**;
- **equal conditions in the area of separating transfer and distribution**;
- **strengthening the competitiveness of the European industry**.

2. An Internal Energy Market that guarantees security of supply: solidarity between Member States

Improved security of supplies on the internal market

Liberalized and competitive markets emit the correct investment signals to the sectors participating in the market, thus strengthening transparency and predictability; the creation of a European observatory for energy supplies is being considered at this point. In the question of physical securing of the infrastructure, there is the creation of a preparatory mechanism and provision of quick solidarity and possible help for a country that suffers from damage to its basic infrastructure.

Reconsidering the EU’s attitude toward emergency oil and natural gas stocks and interruption prevention

The delivery of emergency oil and natural gas stores must lead to a global reaction, the EU’s attitude should be compatible with this global approach, setting rules that would lead to more regular and transparent publication of the EU's oil stores would be useful.

3. Tackling security and competitiveness of energy supply: towards a more sustainable, efficient and diverse energy mix

Every member state of the EU and every energy company has the choice of its own composition of energy sources. **The strategic research of EU energy** would provide a transparent framework for the intra-national decision about the composition of energy sources. This research should evaluate the pros and cons of different energy sources. The research should also enable transparent and objective discussion about the future role of nuclear energy in the European Union.

It also seems that an agreement on a global strategic goal that would balance the goals of the sustainable use of energy, competitiveness and securing supplies would be useful.

4. An integrated approach to tackling climate change

The EU supports the abolishment of the relation between economic growth and growing energy consumption. The solution seems to lie in savings and the support of competitive and effective renewable energy. The obligation of this solution is a long-term one.

A concrete solution is, for example **the EU system for emission trade**. This creates a flexible and cost effective framework for the production of energy that is more sparing for the environment.

The EU's leading position in energy efficiency

An effective policy in the area of energy efficiency does not mean that it is necessary to abandon life standards achieved. It does not necessarily mean lower competitiveness. The effective method should lead to the opposite: spending cost-effective investments into decreasing the waste of energy and use of price stimuli, leading to the more responsible, more efficient and more reasonable use of energy. For example, the Community framework for energy tax could be effective.

Even if Europe today is one of the most energy efficient regions in the world, there is still room for improvement. The green book of energy efficiency, prepared by the European Commission in 2005 notes that up to 20% of the energy used in the EU could be saved: this means savings in energy costs in the amount of EUR 60 billion, a significant contribution to the energy supply security and the creation of up to 1 million new jobs directly in the sectors concerned.

The Union Structural and Cohesion Policy is a useful tool in this area, stating the support of energy efficiency as one of its goals with such elements as the development of renewable and alternative energy sources and investments into networks in case the market fails. It is up to the individual member states to involve these priorities in their programme documentation for the period 2007 - 2013.

The European Commission will take one important step in fulfilling this potential - in the form of an action plan for energy efficiency. Examples of proposed measures in this plan are: long-term campaigns aimed at the support of energy efficiency, including energy savings in buildings for public use, efforts to increase efficiency in the sectors of transport, mainly the improvement of public transport in major European cities; the use of financial tools as catalysts of merchant bank investments into projects in the area of energy efficiency and into companies that provide energy services.

Increased use of renewable energy sources

Since the beginning of the ‘90s the EU has been working on a goal of becoming the leader in the use of renewable energy. One example may be the fact that EU now has wind power stations of a capacity that corresponds to 50 coal power plants. The EU’s renewable energy market has a turnover of EUR 15 billion per year (approximately half of the global market), employs 300,000 people and holds a large share of the export.

In 2001 the EU agreed that the ratio of electricity from renewable sources should reach 21% of the EU’s consumption by 2010. In 2003 it was agreed that a minimum of 5.75% of all kinds of petrol and motor petroleum should be bio-fuels. However, if we project the current tendencies in this field to the year 2010, these goals would not be achieved. Renewable energy is a source that occupies 3rd place in the worldwide comparison of electricity production (behind coal and gas).

The full potential of renewable energy sources could be used with the help of a long-term commitment to develop and install renewable sources. For this reason the European Commission should propose a **working plan for renewable energy,** which would be aimed at the key questions of effective EU policy in the area of renewable energy sources: an active programme with concrete measures for fulfilling the present goals, consideration of whether it is necessary to fulfil the goals after 2010, approval of a heating and cooling directive; execution of the short-, medium- and long-term plans for the stabilisation and gradual decrease of EU dependency on imported oil, initiatives in the area of research and development.

Capture and geological storage of hydrogen;

This, in the combination of clean technologies of burning fossil fuels is another possible technology with almost zero emissions. This technology could be important for countries who want to continue to use coal as a safe and plentiful source of energy. But the development of this technology needs an impulse that would lead to the necessary economic incentives, ensure the legal security of the private sector and ensure that the environment would not be harmed.

5. Encouraging innovation: a strategic European energy technology plan

Research connected with energy contributes largely to energy efficiency and, with the use of renewable energy sources also to diversification. A support tool may be the seventh framework programme for research and development, supporting for example technologies of renewable energy, introduction of the clean burning of coal technology, development of economically sustainable bio-fuels for transport etc.

The European Commission is working on the execution of a strategic plan for energy technologies. The goal of the plan is to strengthen the research on the EU level, limit overlaps in national technology and research programmes and directing attention to the agreed goals on the EU level.

6. Towards a coherent external energy policy

The first step is to agree on the EU level on the goals of the external energy policy and activities leading to these goals. The partial steps would then be:

- **definite policy in securing and diversifying the energy supplies**; this concerns, for example priorities in the modernisation and construction of new infrastructures (new gas mains, oil pipelines, terminals for liquid natural gas, rules for transit countries and third party participation, etc.);
- **energy partnerships with producers, transit countries and other global participants**; this comprises dialogue with important producers and suppliers of energy, building a pan-European energy community;
- **effective reaction to external crises**;
- **incorporation of energy into policies with external dimensions**;
- **usefulness of energy to support sustainable development.**

EU strategy for bio-fuel

The EU is trying to support bio-fuel with the aim of lowering greenhouse gas emissions, supporting the decarbonisation of fuels in transport, widening fuel supply sources and new possibilities of business activities and revenues in the countryside.

Climatic changes, the increase of oil and natural gas prices and estimated development of the energy market have resulted in increased interest of the use of biomass for energetic purposes.

Priorities of the sustained EU strategy for bio-fuel: (i) stimulation of the demand for bio-fuel; (ii) achieving environmental benefits; (iii) development of the production and distribution of bio-fuel; (iv) widening the stocks of raw materials; (v) strengthening the business possibilities; (vi) support of developing countries; (vii) support of research and development.

Realisation of the strategy should also express itself in the adaptation of the common agricultural policy of the EU.

EU action plan for biomass

The main goals are the necessity to decrease the demand for energy, increase confidence in renewable sources and increase international cooperation.

Setting measures for increasing the development of energy from biomass from wood, waste and agricultural products by creating market-oriented incentives aimed at its use and removal of obstacles in market development are necessary. This is a first coordination step in this direction. It sets measures for supporting the use of biomass to produce heat and electricity and in transport. It also specifies cross-sectional measures concerning the supply of biomass, financing and research. The final section of the plan specifies the impacts and individual measures proposed.

The country we focus on this time is our neighbour to the south, Austria. Not only does our common road through history and similar mentality of the inhabitants associate us with Austria, there are many reciprocal economic bounds. One successful example could be Česká Spořitelna, which in 2000 became an important part of the Erste Bank Group. After the Velvet Revolution in 1989 the Austrian economy served us as a benchmark which we wanted to achieve as soon as possible.

AUSTRIA

Government type/chief of state	federal republic / president Heinz Fisher
Area (share of EU)	83 870 km2 (2.11%)
Population (share of EU)	8 206 500 (1.79%)
Age structure	0-14 years: 16.3%, 15-64 years: 68.2%, over 65 years: 15.5%
Total GDP (share of EU)	246.4 EUR bn (2.28%)
GDP per capita in PPS	122.5% of EU-25 average
GDP - composition by sector	agriculture: 1.5%, industry and constr.: 30.7%, services: 67.8%
Average inflation	2.1%
Average unemployment	5.2%
GDP growth	1.9%
General govern. balance	-1.5% of GDP
General government debt	62.9% of GDP
Number of NUTS2	9 NUTS2, Wien 172.9%, Burgenland 81.5%

Note: the figures are for 2005, source: EU, CIA

During the revolutionary days of the end of 1989 and in the following period, Austria was a symbol or synonym of our "return to Europe". Catching up Austria at that time was considered a demanding but possible goal by Czechoslovakia. In those days we thought that our other western neighbour - Germany - was too rich and it would be best for us to follow Austria; this way would take us about ten years.

How great was our mistake at that time - with great naivety, enthusiasm and expectations. In the meantime Austria - quite discreetly - with its level of economic development measured by the GDP per capita index has overtaken Germany and stopped just below the "winners" of the modern EU. In this manner it also elevated the criteria for us, who are trying to catch up. But this process will take long.

We shouldn't be frustrated by this fact and watch Austria for inspiration, we have an example in front of us in many ways. Let us aim at some goals that could serve as symbols for the present prosperity of Austria, even if they may appear isolated from a comprehensive view of the Austrian economy and society.

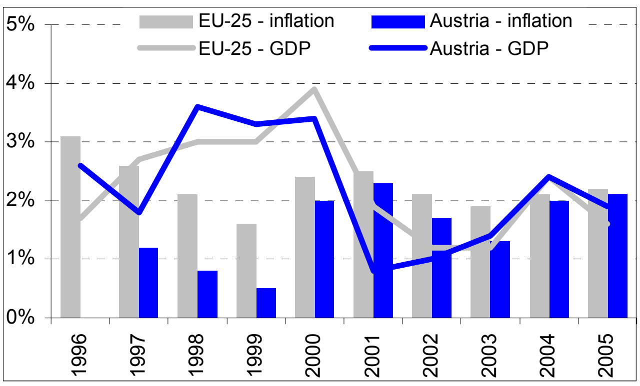
The first example is the development of the travel and tourist industry. Austria is surely a country that is amongst the European champions in efficiency of the tourist industry and in the rate of utilization of the advantages of Austrian nature and landscape, as well as historic sights and social centres offered. Meanwhile it is typical that in the Austrian tourist industry, the providers of the wide range of service and their customers are both content. When there are many new member states and they have regions where the development of foreign travel is considered one of the few (if not the only) sustainable economic activities and sources of prosperity, people from these regions should look especially to Austria.

The strength of small and medium-sized businesses is another typical characteristic of this country that presents a factor of regional and local economic and social stability. In the case of large corporations, these are the main factors of the boom in the new member states, there are major shifts possible in both directions. A strong small and medium-sized business sector is much more stable, cautious and conservative from this point of view. Austrian small and medium-sized businesses then expand into the newcomer countries and present a widespread form of Austrian investments into these economies.

In the EU Austria is also a relative newcomer that entered 11 years ago – in 1995. From this point of view we can note that in the case of Austria, a country smaller than the Czech Republic could and is able to present an opinion quite strongly, when sometimes it stands against the majority in questions of great importance. Even the starting conditions with many exceptions or measures in favour of Austria (and its partners in accession – Sweden and Finland) can support this opinion.

The last highly typical characteristic from the Union point of view noted in Austria is the capacity of purposeful partnership – this concerns finding positive alliances between different subjects of the country itself and partnerships with neighbouring regions in other member states or at the opposite end of the Union. The practice of partnership is greatly enriching for both the partners and the Austrian subjects themselves.

Inflation and GDP



Source: Eurostat

Statistical window

The statistical window in a tabular form shows important macroeconomic indicators from all member states and the EU as a whole. It includes economic performance indicators (per capita GDP as compared to the EU average, GDP growth, unemployment rate), external economic stability indicators (current account to GDP), fiscal stability indicators (public budget to GDP, public debt to GDP), and pricing indicators (annual inflation based on HICP, base price level).

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2003	2004	2005	2003	2004	2005	X-05	XI-05	XII-05	X-05	XI-05	XII-05
Belgium	0.9	2.6	1.4	4.5	3.5	3.0	8.1	8.2	8.2	2.8	2.8	2.2
CR	**3.2**	**4.4**	**4.8**	**-6.3**	**-5.2**	**-2.9**	**7.8**	**7.8**	**7.7**	**2.4**	**2.4**	**2.4**
Denmark	0.6	2.1	2.7	3.3	2.5	2.9	4.4	4.4	4.3	2.0	2.1	1.8
Estonia	6.7	7.8	8.4	-12.0	-12.7	-9.9	6.2	5.8	5.3	4.7	4.5	4.0
Finland	2.4	3.6	1.9	3.8	4.1	2.2	8.2	8.1	7.9	1.2	1.3	1.2
France	0.8	2.3	1.5	0.2	-0.7	-0.8	9.1	9.1	9.1	2.3	2.0	1.7
Ireland	4.4	4.5	4.4	0.0	-0.8	-2.2	4.2	4.2	4.2	2.5	2.7	2.8
Italy	0.3	1.2	0.2	-0.8	-0.4	-1.2	n/a	n/a	n/a	2.2	2.2	2.2
Cyprus	1.9	3.8	3.9	-3.0	-5.7	-5.8	5.3	5.2	5.2	2.0	2.3	2.6
Lithuania	10.5	7.0	7.0	-6.9	-8.0	-7.4	6.8	6.5	6.4	3.5	3.4	3.1
Latvia	7.2	8.3	9.1	-8.2	-12.6	-11.1	8.1	7.8	7.6	7.6	7.0	6.6
Luxembourg	2.9	4.5	4.2	8.2	8.4	5.9	4.7	4.7	4.8	4.1	3.9	3.7
Hungary	2.9	4.2	3.7	-8.7	-8.8	-8.4	7.6	7.6	7.4	2.5	2.3	2.4
Malta	-1.9	0.4	0.8	-5.8	-10.5	-6.7	7.9	8.0	8.1	2.4	2.3	2.9
Germany	-0.2	1.6	0.8	2.1	3.7	3.8	9.1	8.9	8.7	2.1	2.1	1.9
Netherlands	-0.1	1.7	0.5	5.8	6.1	6.0	4.4	4.2	4.0	1.8	1.4	1.4
Poland	3.8	5.3	3.4	-2.2	-4.2	-3.2	17.1	16.9	16.8	0.9	0.9	0.9
Portugal	-1.2	1.2	0.4	-6.1	-7.8	-9.5	7.7	7.7	7.6	2.6	2.9	3.0
Austria	1.4	2.4	1.7	-0.5	0.3	0.8	5.1	5.1	5.1	1.5	1.5	1.3
Greece	4.6	4.7	3.5	-8.5	-8.2	-7.4	n/a	n/a	n/a	3.0	3.1	3.3
Slovakia	4.5	5.5	5.1	-0.5	-3.4	-6.6	15.7	15.7	15.7	4.1	4.3	4.3
Slovenia	2.7	4.2	3.8	-0.3	-2.0	-1.6	6.2	6.2	6.2	2.6	2.3	2.0
Spain	3.0	3.1	3.4	-4.2	-5.9	-7.4	8.7	8.7	8.7	4.2	4.1	3.9
Sweden	1.5	3.6	2.5	5.9	7.8	7.0	n/a	n/a	n/a	1.1	1.1	1.5
UK	2.5	3.2	1.6	-1.5	-2.0	-2.1	5.0	n/a	n/a	1.9	2.0	n/a
EU-25	**1.2**	**2.4**	**1.5**	**0.1**	**0.0**	**-0.3**	**8.5**	**8.4**	**8.4**	**2.2**	**2.2**	**2.1**

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2003	2004	2005	2003	2004	2005	X-05	XI-05	XII-05	X-05	XI-05	XII-05
Belgium	0.1	0.0	0.1	98.5	94.7	93.3	117.5	118.1	118.4	102.3	104.0	104.2
CR	**-6.6**	**-2.9**	**-2.6**	**30.0**	**30.6**	**30.5**	**66.3**	**67.8**	**70.3**	**54.7**	**55.5**	**55.0**
Denmark	1.0	2.7	4.9	44.4	42.6	35.8	121.4	121.0	121.8	135.6	138.8	137.0
Estonia	2.4	1.5	1.6	6.0	5.4	4.8	45.0	48.2	51.2	107.5	108.7	106.6
Finland	2.5	2.3	2.6	44.3	44.3	41.1	112.2	111.2	112.3	124.4	125.9	122.9
France	-4.2	-3.7	-2.9	62.4	64.4	66.8	112.2	111.3	109.3	106.1	105.8	108.0
Ireland	0.2	1.5	1.0	31.1	29.4	27.6	132.9	134.1	137.0	122.4	126.6	123.1
Italy	-3.4	-3.4	-4.1	104.2	103.8	106.4	110.1	107.8	105.8	97.9	102.3	102.7
Cyprus	-6.3	-4.1	-2.4	69.7	71.7	70.3	82.0	79.9	82.8	90.9	96.5	93.3
Lithuania	-1.2	-1.5	-0.5	21.2	19.5	18.7	41.9	45.3	47.8	54.6	54.9	54.6
Latvia	-1.2	-0.9	0.2	14.4	14.6	11.9	38.7	40.8	42.8	57.6	55.4	56.4
Luxembourg	0.2	-1.1	-1.9	6.3	6.6	6.2	220.3	233.8	238.6	102.5	105.3	106.1
Hungary	-6.4	-5.4	-6.1	56.7	57.1	58.4	58.1	59.3	60.1	56.9	59.0	61.9
Malta	-10.2	-5.1	-3.3	71.3	76.2	74.7	74.2	72.6	69.2	73.7	74.4	74.9
Germany	-4.0	-3.7	-3.3	63.8	65.5	67.7	108.6	108.4	108.6	107.5	108.7	106.6
Netherlands	-3.1	-1.9	-0.3	51.9	52.6	52.9	125.3	124.8	124.4	105.3	106.6	105.2
Poland	-4.7	-3.9	-2.5	43.9	41.9	42.5	46.3	47.0	48.8	59.5	53.4	52.4
Portugal	-2.9	-3.2	-6.0	57.0	58.7	63.9	79.5	72.8	72.4	76.2	87.3	85.7
Austria	-1.5	-1.1	-1.5	64.4	63.6	62.9	119.9	120.8	122.6	105.2	105.7	103.6
Greece	-5.8	-6.9	-4.5	107.8	108.5	107.5	77.2	81.1	82.0	82.2	84.5	85.1
Slovakia	-3.7	-3.0	-2.9	42.7	41.6	34.5	50.5	51.5	51.9	44.6	50.5	54.9
Slovenia	-2.8	-2.3	-1.8	29.1	29.5	29.1	74.5	76.0	79.1	75.5	77.9	75.8
Spain	0.0	-0.1	1.1	48.9	46.4	43.2	95.2	97.4	97.6	85.0	86.6	87.4
Sweden	0.1	1.8	2.9	51.8	50.5	50.3	113.7	115.8	117.4	121.1	124.0	121.1
UK	-3.3	-3.3	-3.6	39.0	40.8	42.8	116.0	116.2	116.2	110.7	103.8	105.6
EU-25	**-3.0**	**-2.6**	**-2.3**	**63.1**	**62.4**	**63.4**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

*Source: Eurostat, *) net balance, GDP per capita according to PPP*