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Dear readers,

Although the summer months are usually palpably slacker in European integration than the busy period, at least two events this July are worthy of attention.

The first is the culmination of almost two years of preparation of the rules for the next programming period on the part of European institutions. Until now a considerable part of the preparatory work has been taking place in the most varied institutions of the EU, beginning with the European Commission and now ending with the European Parliament. From this point, however, the key quota of the tasks moves from the side of the European institutions to the national member states and the bodies and institutions within them. One of the last documents of supreme importance is the package on structural funds for the 2007 – 2013 period, approved by the European Parliament at the beginning of July. This package defines the basic rules of the game of structural and cohesive policy for the coming period – targets, criteria for the eligibility to draw funds and for their allocation. The one thing that remains for the completion of the set of strategic rules on the part of the EU is the approval of the strategical instructions by the European Parliament, expected at the beginning of the autumn session.

The second event actually represents the continuation of the series on the theme of the gradual relaxation of the movement of persons within the EU. In the latest instalment, Italy became the chief actor. The free movement of persons – workers – is a very sensitive matter, especially in the new member countries, and especially symbolically. A number of people identify the free movement of persons with the basic rights and advantages of membership in the EU. At the end of July, however, it was Italy that took the decision to end the transition period restricting the free movement of workers from the eight new member countries on the Italian labour market.

Italy thus became the eighth country not to implement any restrictions on the labour market against workers from the new member countries. Britain, Ireland and Sweden (who opened their labour markets from the start) Finland, Spain, Portugal and Greece were added to the original countries this year. France declared certain partial relaxations, then Denmark and Holland announced the intention of relaxation. On the opposite side stands the orthodox approach of Germany and Austria (supplemented by Belgium and Luxembourg).

The theme of the free movement of workers in the specific area of professional sport is, in addition, the content of wider analytical speculation in this issue of the EU News Monthly. In connection with the recent World Football Championship, in which a large number of actors took place who are employed in clubs outside their native countries, we are now opening a theme that may have occurred intuitively to many of you while watching a dramatic sport event. The collective of the authors of the EU News Monthly wishes you a pleasant August perusing the pages of our monthly publication and considering the development of Europe's present and future.

Petr Zahradník



According to the European Commission the Czech Republic and four other states do not comply with the 6th Directive on VAT, using a lower rate of tax for babies' nappies. In the future, however, it is not impossible that a lower taxation of nappies will be possible, the European Executive was heard to say. Commissioner Viviane Reding came forward with a radical proposal for a decree that should reduce the costs connected with the use of mobile phones abroad by up to 70%.

POLITICS

Meetings of the EU Council on the Internet

The Ministers of the EU member states have taken heed of calls for greater transparency of their decision-making and have begun **broadcasting their meetings on the internet**. The openness of the Council, however, has its limits. A month ago it was decided that only those points on the agenda would be broadcast live in which the members of the Council representing member states make decisions on the basis of the joint-decision procedure. In its framework the Council must agree with the European Parliament on passing a given legislative act. Broadcasting on the internet is not excluded even during the discussion of points on another basis than the joint-decision procedure, but enabling this must be decided by the Council individually.

Broadcasting is available so far **in the five official languages of the EU** and from September it should be possible to follow the meetings of the Council in all official EU languages. For those interested it is possible to become acquainted with the basic material of the ministers before the broadcast.

The first Council meeting transmitted live on the internet was the Ecofin meeting (EU Council for Economic and Financial Matters) at the beginning of July. The public could not, however, get much of a feel of the work of the ministers in the Council because not many of the problems discussed came under the joint-decision procedure. All that could be seen was the **discussion of two matters concerning the European Investment Bank**, talks on the implementation of the rules of the Stability and Growth Pact and the formal decision on the entry of Slovenia to the Eurozone were not transmitted.

<http://ceuweb.belbone.be/index.php?lang=EN&sessionno>

TAXATION AND CUSTOMS UNION

Will the Tax on Babies' Nappies be Raised in the Czech Republic?

The European Commission has called on the **Czech Republic, Hungary, Poland, Malta and Portugal** to provide information on the application of the VAT rate on babies' nappies. All the above-mentioned states use a lower tax rate, but according to the European Commission this is at variance with **the 6th Directive on VAT (77/388/EEC)**. According to this, babies' nappies are subject to the standard VAT rate.

The request for information through a **"letter of formal notice"**, which the Commission has sent to the states mentioned, is the first stage of offence proceedings for infringement of the EU Law. Member countries have two months in which to reply.

The European Commission declares that it is aware of the sensitive nature of the theme and supports social and family policy lessening of the impact of the ageing of the population. It has therefore been said that with the use of the information obtained it will propose the creation of an adequate legal framework for **the implementation of a lower VAT on babies' nappies**. This should be presented to the EU Council for Economic and Financial Matters (ECOFIN) in the middle of next year.

The Czech Republic defends itself by pointing out that according to Annex H of the directive mentioned it is possible **to use a lower tax rate for hygiene products**, which it sees as applying to babies' nappies. The European Commission argues, however, that nappies are not explicitly mentioned in the annex and therefore the higher rate must be used.

The European Commission has the role of **guardian of the fulfilment of the foundation agreements of the EU** and the directives or regulations arising from them, but it does not have the right to interpret these standards. In an extreme but rather improbable case the whole affair might even come before the **European Court of Justice**, which alone can decide which side is in the right.

The latest dispute on taxing babies' nappies only goes to show how **little transparency there is in the present legislation on indirect taxation** in the EU. Some states exacted numerous exemptions for themselves when the VAT Directive came into force; others implemented deviations from the standard on the basis of accession agreements. In the VAT sphere every state is fighting for "national interests", but the necessary transparency will probably not be immediate here. The situation is also complicated by the fact that in taxation questions the principle of unanimous voting applies, enabling one state to block the agreement of the other 24.

Unfortunately the Union missed its chance to simplify the system at the beginning of this year. At the end of 2005 the validity of a number of exceptions expired, enabling the use of the lower VAT rate for services with high demands on manpower. The ministers of the member states, however, did not find sufficient courage to make a strong decision and agreed **to extend "existing exceptions" until the end of 2010**. From this agreement there now emerges the proposal of the European Commission, the acceptance of which by



the Council appears to be a formality. In the proposal the Commission permits the use of a lower tax rate in a maximum of three of the defined spheres of services with high demands on manpower, which was taken up by 17 of the member states. The Czech Republic claimed the application of a lower VAT rate in:

- Renovation and repair of private flats and houses with the exception of material, which forms the basic part of the value of the service provided
- Window cleaning and household cleaning
- Home care services.

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1031>

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/1057>

FOREIGN TRADE

The EU is considering a free trade zone with Russia

The European Commission wants to improve the standard of mutual relations with the Russian Federation and next year it plans to begin talks on the **creation of a mutual free trade zone**, which will be part of a wider agreement.

The reason for this is the fact that the **Agreement on Partnership and Cooperation**, which currently regulates relations between the Union and Russia, expires at the end of November 2007.

According to the European Commission the main part of the future agreement will be **mutual trade and energy**. Further areas of agreement should be questions connected with democracy, human rights, the problems of migration and cooperation in the sphere of external security. The possible creation of a free trade zone would occur once Russia has been accepted as a member of the **World Trade Organisation (WTO)**.

After the collapse of the Qatar round of the WTO talks, intended to settle multilaterally the questions of global trade exchange, there will be more dependence than ever on effective **bilateral trade agreements**. In this connection it must be stated that the European Union is very active. Recently it decided to open bilateral trade talks with the ten members of the South Asian **ASEAN** group (Brunei, the Philippines, Cambodia, Laos, Malaysia, Burma, Singapore, Thailand and Vietnam), and with **Ukraine, South Korea and India**.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/910>

INTERNAL MARKET

The Commission has proposed a Reduction in Roaming Charges

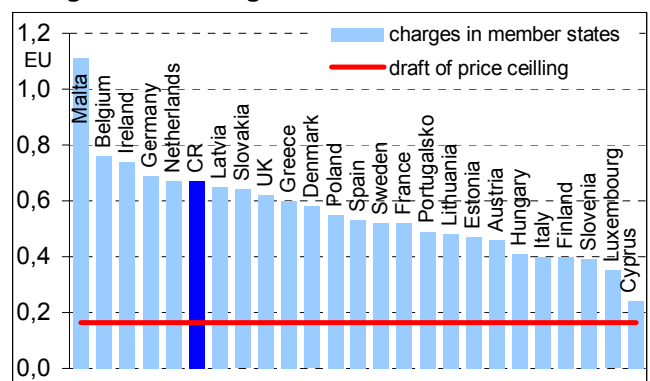
The European Commission has presented a draft ruling which might **reduce the costs connected with the use of mobile phones abroad** by as much as 70%. The Commission wants to change the present practice where the prices of roaming services within the EU are unjustifiably higher than the prices that apply for customers within individual member states. This status is also at variance with the key principle of a uniform internal market in the EU.

The regulation foresees a **reduction in the wholesale charges** made by mobile operators among themselves for directing calls coming from foreign networks. The basis of the proposal is in particular the **reduction of prices at the retail level**. The operators will be able to increase wholesale costs by a retail surcharge, which may be up to 30%, the margin that operators usually implement in the case of national calls. This retail surcharge would apply to calls realised and received in the course of roaming.

Resulting **ceilings for retail prices:**

- 49 cents a minute when calling home from abroad,
- 33 cents a minute for a local call abroad,
- 16.5 cents a minutes when receiving a call abroad.

Charge for receiving calls abroad



Source: European Commission, price in euro per minute

Operators would still be able to **compete below the level of the wholesale and retail limits** for the roaming charges proposed in the new EU regulation with the offer of cheaper roaming services or the offer of cheaper packages of services differing according to the customer's requirements.

The meaning of the regulation is also strengthening the transparency of the creation of charges. Mobile operators



The Czech Republic is one of the five states are the farthest behind in the transfer of the directives regulating the uniform internal market of the EU into national law. The European Commission has adopted guidelines according to which it is determined whether the state support in support of investment of venture capital in small and medium enterprises is compatible with the competition law of the EU.

will be obliged to **inform customers fully about usable charges for roaming** when concluding agreements and to update this information for customers regularly.

The European Commission estimates that at least **147 million citizens** of the EU (37 million tourists and 110 million customers from the business sphere) will profit from the reduction in telephone charges when calling from abroad.

If the European Parliament and the Council approve the proposal the new regulation should come **into force for summer 2007**. For the part of the regulation regulating prices at retail level there would also be a six-month time limit for adaptation. A regulation – as opposed to a directive – **is directly valid** without the need to incorporate it in national law.

The resultant form is, however, uncertain and may be lightened by a helpful step on the part of the telecommunications sector. Chairman of the European Commission José Manuel Barroso has been heard to say that if mobile operators make a voluntary reduction in prices, part of the regulation would simply not come into effect.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/978>

Member States Implement Directives for the Internal Market Insufficiently

The EU member states must strengthen their efforts to carry out the rules of the internal market in their laws. This emerges from the latest comparative table with data as of the beginning of June, which the European Commission has prepared for the internal market sphere. At the present time, **on average 1.9% of the directives on the internal market whose deadlines for execution have already passed have not been executed in national law**. In comparison with the result achieved in November 2005, this is worse by 0.3 of a percentage point. The figures published show that the positive trend of past years has stopped and in addition the current goal of 1.5% that the leading representatives of the member states agreed upon was not achieved.

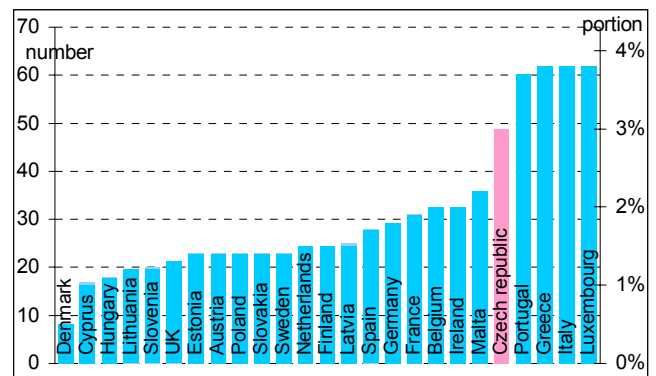
Progress is also slow in the **correct implementation of the rules of the internal market** – not one of the "old" member states managed to fulfil its undertaking to reduce the number of proceedings for infringement of the law by 50% in the 2003 – 2006 period.

The "new" member states continue to achieve better results. Their deficit in execution is 1.5% on average compared to a 2.2% deficit in the "old" member states. The

exception is the **Czech Republic, which as the fifth worst state overall** has not transferred to national law 3%, or 48 directives concerning the EU internal market. Absolutely the greatest sinner in this direction is **Luxembourg** (62 directives = 3.8%), whilst the best pupil is **Denmark** (8 directives = 0.5%).

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/1008>

Number and portion of not implemented directives



Source: European Commission, only about internal market

The Commission Wants More Competition in Small-scale Banking

In the middle of July the European Commission organised a public hearing on two internal reports from the financial sphere. The reports are the result of the **investigation of the wider field of small-scale banking and business insurance** from June of last year, which was intended to show whether there is sufficient competition on these markets and whether the principles of a uniform internal market are functioning here.

The first of the reports, published in April, dealt with the branch of payment cards. According to the European Commission there is a **threat to the competitive environment** here, when it considers one of the greatest problems to be the large price differences (for more, see the EU New Monthly of May 2006).

The second report concerns **retail bank services**, including current accounts and the services connected with them. The main conclusions of the report:

- Small banking markets generally remain **fragmented according to national competence** and in addition there are important barriers to entry to this branch, including access to payment systems and credit databases.



- The **clearing systems for payments between banks** are also highly fragmented. A bank active in various member states must connect to several national systems, accept their different standards and pay varying membership fees. The structure of these payments and rules of membership in clearing systems may deter banks from entering the retail markets in other member states.
- **The mobility of clients is low.** The average client keeps a personal account with one bank approximately ten years and the average small and medium-sized enterprise, 8 years. In general it applies that banks have greater profit on markets where there is low mobility.
- **The profitability of retail banking differs considerably** in the EU. In 2004 banks in Austria or Germany recorded on average 11% and 17% gross profit respectively, with regard to gross revenues, whereas banks in Ireland, Spain and Finland could boast of over 40%.
- **The prices of bank services for consumers also vary considerably.** In 2004 Luxembourg and Italian banks showed the highest gross revenue per personal current account at the level of 265 and 204 Euros, respectively. Banks in Lithuania and Sweden, on the contrary, showed only 15 and 22 Euros, respectively.

Linked with the publication of the report is a **public consultation** where interested parties may state their opinions on its content. Consultation is divided into five spheres:

- Market structure and fragmentation,
- Financial performance of banks and price policy,
- The entrance barrier in small-scale banking,
- Consumer possibility of choice and mobility,
- Development of the payment infrastructure in the context of the Single European Payment Area (SEPA).

The outcomes from this consultation will influence the **final report of the European Commission**, which will indicate whether further legislative steps may be expected in this sphere.

We feel that the European Commission should also take the **wider global view** into account in its investigations. The excessive binding of European banks with quantities of rules and regulations may turn out to be counterproductive in the end and European banking **might lose its ability to compete** with banks from the USA and Southeast Asia. Although the situation is not quite perfect, it may be said that

European banking is a stable, effectively functioning system, which decidedly is not one of the causes of the low ability to compete of some areas of the EU.

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/999>

ENTERPRISE

New Guidelines on State Support of Investments in Venture Capital in SMEs

The European Commission has adopted guidelines according to which it is determined whether **state support in support of investment in venture capital in small and medium-sized enterprises** (SMEs) is compatible with the regulations of the Community on state support (Article 87 of the Rome Agreement).

The guidelines concern measures of venture capital for investment in small and medium-sized enterprises **in their initial stages** (the stage of establishment, starting activity and expansion), **if the financing is provided jointly by the state and private investors**. The guidelines replace the notification on state support and venture capital of 2001. Their idea is to support access to venture capital, especially for innovative companies.

The guidelines introduce a **procedure of simplified investigation** into whether the state support provided is at variance with EU law in the following cases:

- Investment in a small or medium-sized enterprise of less than 1.5 million EUR for a period of 12 months,
- Financing small and medium-sized enterprises in supported areas up to the stage of their expansion and financing medium-sized enterprises in unsupported areas up to the stage of the start of activity,
- At least 70% of the budget must be used for the purpose of ensuring capital or quasi-capital instruments for balancing debt instruments,
- The participation of private investors must amount to at least 50% in unsupported areas and 30% in supported areas,
- The decision on investment must be based on profit – i.e. it must involve the participation of private capital, viable business plans and a clear strategy for the completion of investments,
- The administration of the financial means must follow business logic – i.e. the remuneration of managers must evolve from the profit of the fund, private investors must be represented and administration must be governed by the appropriate legal regulations,

Events

Stopping the publication of confusing prices in air transport, where the advertised amount is increased by a number of unclear surcharges and payments, is one of the aims of the newly prepared regulation. The majority of Euro MPs think that air transport should be included in the European system of trading in carbon dioxide emissions.

- Branch concentration is possible in funds that invest in innovation technology or branches.

In the case of exceeding the **stated investment limit of 1.5 million EUR** or the non-fulfilment of other conditions the Commission will make a detailed assessment with regard to the higher probability of infringement of economic competition and the member states will have to provide proof of the failure of the market in this sphere in order to justify the state aid provided.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/1015>

TRANSPORT AND ENERGY

The EU Wants the Prices of Air Fares Made Clearer

The European Commission has presented a **draft regulation, which should modernise the internal EU market in air transport**. The liberalisation of air transport began in 1997 and recorded a number of successes. The number of airlines increased and the growing number of air routes (by 60%) enabled more towns and outlying regions to be covered, with the strengthening competition leading to a dramatic drop in the cost of airfares.

A number of problems remain, however. On some markets **the principles of the internal market have still not been implemented** in full and travellers, on the other hand, complain of the **confusing prices of air fares**, where the amount advertised is considerably increased by many unclear surcharges. The European Commission is therefore presenting a new legislative regulation with the following main points:

1. **The price policy of operators should be more transparent** and the prices of airfares should include all taxes, payments and other charges so that they can easily be compared by the consumer. The aim is to restrict the frequent practice where airlines try to attract attention with a low price, but one which increases considerably thanks to the most varied surcharges. Airlines will also not be allowed to charge different prices for the same air ticket according to the country in which the customer lives.
2. **The legislation of air transport will be simpler** when the present three regulations from the third aviation package adopted in 1992 - those on the issue of licences to air transport companies (2407/92/EC), on the access of air transport firms of the Community to air routes within the Community (2408/92/EC) and on

tariffs and rates for air services (2409/92/EC) - are included in a single regulation.

3. **The draft clarifies the criteria for the provision and retention of a licence** for operation of aviation activity in the EU. It should also contain an assessment of the financial situation of the transport company and its ownership structure. The Commission would acquire the authority to block the licence of air companies if they do not observe the rules of the Union and the member states do not take action against this. So far only individual countries have this authority.
4. **The requirements for borrowing aircraft from countries outside the EU**, which is done to cover seasonal peak periods, should be made stricter to ensure that there is no infringement of European safety standards.
5. **The regulation should clarify relations with third countries** if it completely replaces the remaining bilateral agreements between member countries, which restrict access to the air services market. At the same time the rights to operate air transport between European cities should be negotiated at the EU level.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/1010>



ENLARGEMENT

New Financial Instruments for Potential EU Members

The EU Council has agreed on a **new financial instrument, which should prepare potential EU members for accession** and meet the Copenhagen Criteria. The **Instrument for Pre-accession Assistance (IPA)** will be available to states with the status of candidate countries and to other states: Croatia, Turkey, Macedonia (FYROM), Albania, Bosnia and Herzegovina, Montenegro and Serbia.

With effect as of 1 January 2007 this new instrument will **replace the existing five programmes**: PHARE, ISPA, SAPARD, CARDS and the pre-accession assistance instrument for Turkey.

The IPA budget expects a sum of 11.468 billion Euros for the entire programming period of 2007 - 2013. The IPA programme will provide more targeted aid through a single instrument while taking into account the specific needs of the individual countries.

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/1004>

ENVIRONMENT

Parliament in Favour of Reducing the Impact of Aviation on Climate Change

The European Parliament urges the restriction of the impact of aviation on climate changes when it wants to **include air transport in the Emission Trading System (ETS)** and tax the aviation fuel kerosene and all domestic flights and flights within the European Union.

Emission trading is, according to the EMPs, the most suitable instrument for reducing the impact of aviation on the climate. For emissions from aircraft, however, MPs feel that a **special system should be introduced**, separate from that in which 12,000 industrial enterprises in the EU have been participating since last year. The permission system for airlines could be started **at earliest from 2008**, as the European Commission must first come forward with a legislative proposal.

In the case of kerosene the Parliament agrees with the intention of the Commission to **introduce a tax** and urges it to begin immediately with taxing all domestic flights and flights within the EU – with the possibility of an exception for all transport companies on routes on which transport companies from third countries operate air transport.

In an ideal case the Commission should try to promote the **introduction of a tax on kerosene worldwide** with other states outside the EU – especially with the USA.

The MPs also applauded the idea of **doing away with tax exemptions for air transport**, which disrupt economic competition between aviation and other transport sectors, especially railways.

This declaration of the European Parliament is only an uncommitted vote, **more of an advance declaration of the majority view of Parliament**. On the tax matter there is unanimous decision only in the Council, the role of the European Parliament is merely consultative. The Euro MPs

would naturally participate in the framework of the joint-decision procedure in the future directive on including emissions from air transport in the trading system.

http://www.europarl.europa.eu/news/expert/infopress_page/064-9474-185-07-27-911-20060628IPR09334-04-07-2006-2006-false/default_cs.htm

New Directive for Water Protection is coming

The European Commission has come forward with a proposal for a new directive, the meaning of which is the better protection of European rivers, lakes and seas against pollution. The basis is the **stipulation of maximum limits of concentration of up to 41 types of harmful substances** in the surface waters. Among the harmful substances are pesticides, heavy metals and other dangerous chemicals, which represent a considerable risk to animals and plants. These limits will have to be fulfilled by the year 2015.

The proposal also contributes to the European initiative for better regulation as **it replaces five older directives from the 1980s**, which may therefore be deleted.

The directive is part of the legislation on environmental protection. Basically this is the last key standard in support of Directive 2000/60/EC, which sets the framework for the activity of the Community in the sphere of water policy.

It does not regulate the means leading to the fulfilment of the set limits of the directive – here it gives the member states a free hand.

The directive is passed **by using co-decision procedure** – for it to become valid the agreement of the European Parliament and the Council is needed.

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1007>





The European Parliament has approved five decrees according to which the regional policy of the EU will function in the 2007 to 2013 programming period. The European Commission has presented the draft of the Strategic Instructions of the Community, which define the priorities for the use of the structural funds of the EU and help member countries in compiling key programme documents.

REGIONAL POLICY

Parliament Has Approved Regulations on Structural Funds

The European Parliament has approved **five regulations regulating the financing of projects from structural funds for the years 2007 - 2013**. For the Fund of Solidarity, the European Social Fund (ESF), the European Regional Development Fund (ERDF) and the new European Grouping for Cross-border Cooperation (EGCC) EUR 308 billion are reserved in the seven-year budget of the Union (35.7% of the total budget). The approved legislation defines the aims and criteria for the eligibility to draw funds and for their distribution in the expanded EU.

The consent of the Euro MPs opens the way for drawing funds at the level of almost **EUR 308 billion (constant prices of 2004) for the years 2007 to 2013**, which is more than one third of the total budget framework. The regulations take into account the majority of requirements that the Czech Republic and other new countries promoted in discussions lasting many months. **EUR 23.6 billion from the funds is intended for the Czech Republic**, but the actual drawing of the funds will depend on the presentation of sufficient quality projects. The new rules should, however, make the use of the funds easier for the new boys, for instance the share of the EU in joint financing of projects will increase from 75 to 85 percent.

Compared to the original proposal of the European Commission the regulations contain in particular the deferral of the application of the rule that the money set apart for individual projects must be used within 3 years (**the N+2 rule**); up to the year 2010 there will be four years for this (N+3), states ČTK. Also successful was the implementation of the requirement that **VAT should also be included in the costs** and the recipients of money are entitled to a tax deduction. The use of European money for the repair of panel buildings will, however, continue to be **restricted to three per cent of the appropriate operating programme**.

In the end the European Parliament did not manage to promote the idea that funds not used in one country should be returned to the EU fund and from there, be provided for projects in another country. The existing practice therefore continues where funds **not exhausted are returned to the European budget**.

For the definitive validity of the executive regulations only **the approval of the ministers of the member states in the Council** is still needed. Two regulations (the general

regulation on structural funds and the regulation for the Solidarity Fund) have already been approved by Ecofin and the remaining three (regulation on the European Regional Development Fund for Regional Development, the regulation on the European Social Fund and the regulation on the European Grouping for Cross-border Cooperation) will have their turn in the near future.

http://www.europarl.europa.eu/news/expert/infopress_page/059-9473-185-07-27-910-20060628IPR09333-04-07-2006-2006-false/default_cs.htm

The Commission has Presented the Strategic Instructions of the Community

Apart from the above-mentioned regulations, which define the legal framework for drawing money from the European structural funds, there is another important EU document in the framework of regional policy – the Strategic Instructions of the Community. This is a document, which the Commission is preparing with the **aim of stipulating general priorities for the utilisation of funds** and this is an essential step in the realisation of Union aid. On the basis of these priorities the member states will then create national strategic reference frameworks and operating plans for the use of the funds.

The draft of the Strategic Instructions, which must be approved by the Europarliament and the Council, contains three main priorities emerging from the renewed Lisbon Strategy:

- **Improvement of the attractiveness** of the member states, regions and towns through improving access, ensuring adequate quality and standards of services and the protection of their environmental potential,
- **Support for innovation, enterprise and the growth of the knowledge economy** through the strengthening of research and innovation capacities, including new information and communication technologies,
- **The creation of more and better jobs** thanks to increasing employment and business activities, improvement of the adaptability of workers and firms and increasing investments in human capital.

For the implementation of the above instructions special emphasis is placed on three new initiatives – **JASPERS**, **JEREMIE** and **JESSICA** – and on the principle of the partnership of the public and private sectors.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/983>



Of the other events of the month of July that we are not commenting on in detail, an encouraging step was that of the new government of Prime Minister Prodi, which has removed the restrictions on the free movement of persons for the citizens of new member countries. Italy is thus another country in the EU where Czech workers can work without the need to acquire a work permit. The EU Council has definitively passed the decree establishing the European Fishery Fund.

3 JULY

Evaluation programme support to European Cultural bodies:
http://ec.europa.eu/culture/eac/sources_info/evaluation/eval_org_cult_en.html

Public Hearing on Future Patent Policy in Europe - preliminary findings:
http://ec.europa.eu/internal_market/indprop/patent/hearing_en.htm

Data on European Defence R&T Spending:
<http://www.eda.europa.eu/facts/Defence%20R&T%20Spend.htm>

4 JULY

Paper "Corporate tax competition and coordination in the EU: What do we know? Where do we stand?":
http://ec.europa.eu/economy_finance/publications/economic_papers/2006/economicpapers250_en.htm

Steel sector - Commission makes information on planned steel imports available on-line:
http://ec.europa.eu/comm/trade/issues/sectoral/industry/steel/pr030706_en.htm

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Monetary conditions index (MCI) - updated:
http://ec.europa.eu/economy_finance/indicators/monetaryconditions_en.htm

Injuries in the EU - summary statistics 2002-2004:
http://ec.europa.eu/health/ph_determinants/environment/IPP/keydo_ipp_en.htm

Eurobarometer registers growing public trust in biotechnology:
http://ec.europa.eu/research/biosociety/news_events/news_eurobarometer_public_trust_biotech_en.htm

6 JULY

Parliament can block Commission decisions:
http://www.europarl.europa.eu/news/expert/infopress_page/008-9495-186-07-27-901-20060629IPR09380-05-07-2006-2006-false/default_en.htm

Utilisation of budget appropriations - June 2006:
http://ec.europa.eu/budget/execution/utilisation_2006_en.htm

Final Phase of EU Anti-dumping Investigation on leather shoes from China and Vietnam:
http://ec.europa.eu/comm/trade/issues/respectrules/anti_dumping/pr050706_en.htm

Household gas prices rose by 16% in 2005:
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/P

[GE CAT PREREL YEAR 2006 MONTH 07/8-06072006-EN-AP.PDF](#)

Gas prices per GJ, incl. all taxes for households

	in EUR	% taxes		in EUR	% taxes
UK	7.3	4.8%	Austria	14.6	31.5%
Estonia	7.5	15.1%	Netherlands	15.5	34.5%
Luxembourg	9.0	5.7%	Italy	15.8	36.8%
Latvia	9.9	15.0%	Poland	16.0	18.0%
Ireland	10.0	11.9%	CR	16.1	16.0%
France	11.5	15.0%	Portugal	16.8	4.8%
Hungary	11.8	13.0%	Slovenia	17.0	22.8%
Lithuania	12.0	15.2%	Slovakia	18.4	16.2%
Belgium	12.5	20.4%	Denmark	21.7	55.8%
Spain	14.2	13.8%	Sweden	21.8	43.0%
Germany	14.5	23.3%			

Source: Eurostat, in purchasing power standard, data for Greece, Cyprus, Malta and Finland are not available

7 JULY

2006 Bathing Water Report (bathing season 2005):
http://ec.europa.eu/water/water-bathing/report_2006.html

10 JULY

Long-term labour productivity and GDP projections for the EU25 Member States:
http://ec.europa.eu/economy_finance/publications/economic_papers/2006/economicpapers253_en.htm

Savings taxation - lists of national contact points for taxpayers have been published:
http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/contact_points/index_en.htm

The Eurosystem is evaluating opportunities to provide settlement services for securities transactions:
<http://www.ecb.eu/press/pr/date/2006/html/pr060707.en.html>

11 JULY

Committee of the Regions: EU risks brain drain if it fails to adopt new approach on innovation:
http://www.cor.europa.eu/en/press/press_06_07095.html

12 JULY

Discussion related to the reform of EU wine regime:
http://www.europarl.europa.eu/news/public/story_page/032-9762-193-07-28-904-20060712STO09761-2006-12-07-2006/default_en.htm

Council approves Slovenia's accession to the Euro area:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/90462.pdf



Diary

13 JULY

General Affairs and External Relations Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/90480.pdf

European Economic and Social Committee: 'Civil society participation in the fight against organised crime and terrorism': http://eesc.europa.eu/activities/press/cp/docs/2006/cp_eesc_074_2006_en.doc

Statutory minimum wages varied by one to eleven across the EU in January 2006:
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_07/3-13072006-EN-AP.PDF

14 JULY

Household electricity prices rose by 5% in 2005:
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_07/8-14072006-EN-AP.PDF

17 JULY

Commission says stricter sanctions needed to deter infringements to fisheries rules:
http://ec.europa.eu/comm/fisheries/news_corner/press/inf06_42_en.htm

18 JULY

2744th External Relations Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/90565.pdf

2743rd General Affairs Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/90564.pdf

Workshop on the revision of the timeshare directive (94/47/EC) on July 19:
http://ec.europa.eu/consumers/cons_int/safe_shop/timeshare/workshop_en.htm

19 JULY

2745th Agriculture and Fisheries Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/agricult/90590.pdf

Eighth meeting of the Cooperation Council between the European Union and the Kyrgyz Republic:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/90577.pdf

20 JULY

EU is the world's biggest importer of agricultural products from developing countries:
http://ec.europa.eu/comm/trade/issues/sectoral/agri_fish/agri/fs190706_en.htm

24 JULY

Services in the Internal Market: Council adopts its common position:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/90635.pdf

Labour market and wage development in 2005, with special focus on labour market adjustment in the euro area:
http://ec.europa.eu/economy_finance/publications/european_economy/2006/eespecialreport0406_en.htm

25 JULY

2747th Competitiveness (Internal Market, Industry and Research) Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/intm/90654.pdf

2746th Justice and Home Affairs Council meeting:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/jha/90655.pdf

Annual Report on the Financial Management of the 6th-9th European Development Funds (EDFs) in 2005:
http://ec.europa.eu/budget/documents/annual_budgets_reports_accounts_en.htm#budget_2005

26 JULY

Commission welcomes Italy's decision to lift all restrictions on the free movement of workers:
http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=169

27 JULY

Intercultural Dialogue - 2008, European Year of Intercultural Dialogue, Community policies and 'call for ideas':
http://ec.europa.eu/culture/eac/dialogue/dialogue_en.html

28 JULY

Adoption of a Council Regulation on a European Fisheries Fund:
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/90689.pdf

31 JULY

SHARE survey results - a research Framework Programme on ageing populations, and related retirement and health challenges:
http://ec.europa.eu/research/headlines/news/article_06_07_28_en.html

In this issue of the Monthly, member of the European Parliament Jana Hybášková, who has been dealing with security problems for many years, considers the prospects of the European Union in the global world. In this contribution she pays attention to the changes she considers to have occurred in major politics recently. The main theme is no longer the conflict between right and left on the degree of deregulation or redistribution, but questions connected with energy security and the struggle against climate change.



SHADOWS OF THE HOT SUMMER

Europe is still in a period of reflection. A year of reflection has shown that the politicians of states with a deficit social system do not have the necessary manoeuvring scope for the political movement of social and health service reforms. States such as France and Germany, with a second childless generation, weak economic performance and a long-missed opportunity to reform the social, health service and pension systems, have been caught in a vice. All the efforts of Mrs Merkel are divided by two, if not by more, and weakened by German social democracy. De Villepin has managed to set immigrants and student in counterpoint – both groups depending on reforms and a more efficient social model. The British did come forward with a proposal to discuss a rebate, but their proposal could not be substantial enough to convince French food manufacturers of the fundamentally necessary reform of the European agricultural policy. On the contrary, the plumbers joined them in their inflexibility.

In spite of the fact that we finally completed a model for the financing of the Union for the years 2007 – 2013 and gave more to students, science and research, and also some chapters of foreign policy, we are still unable to conclude the period of reflection. The Franco-German enlarged and deeply deficit social model continues, as does agricultural redistribution, reducing the absorption capacity of the Union for the acceptance of Turkey. The Brits remain in isolation and the Italians are striving in vain for reforms. Barosso acts pragmatically and Solano's power is becoming increasingly virtual. There is an essential need for a new mechanism for coordinating external and internal security, further opening of the market in the sphere of services and the deepening of subsidiarity, which calls for a new Agreement. The scope for political manoeuvring, which would enable a new Agreement to be reached, is very small, almost non-existent. In the meanwhile the period of reflection reflects only the low dynamics of the Union, the small scope for manoeuvring in agreement and changes of joint policy, and the unwillingness for basic reforms. The internal capacity of the Union to achieve revival is minimal. The chance of reaching the results of the Doha talks of the World Trade Organisation is minimal, the ability to take effective action against the causes and symptoms of terrorism is minimal and the ability to change immigration relations in Europe is also minimal.

Last summer Iran withdrew from talks with the Union Three, unsealed its centrifuges and began enriching and smuggling uranium. It is just a step away from acquiring the critical amount of nuclear material needed for the production of a

nuclear weapon. The Union in its present state was unable to oppose it.

In spite of the massive financial support for the democratisation of Palestine, Hamas won in the January elections and the withdrawal from Gaza did not help the Israelis. In spite of the killing of Zarqawi the situation in Iraq continues to be unstable, far from the opportunity for European peaceful reconstruction. The Iranian pressure on Syria, the strengthening of Hezbollah and the invitation of Hamas leaders to Iran have exacerbated relations still further. Today there is no doubt that a serious regional war has broken out in the Near East. The Union is unable to speak in this struggle.

The past school year did not give Europe the knowledge required by a period of reflection. Instead, the year moved us somewhere quite different: if the many years against one another, alongside one another, complementarily and conflicting, built up two schools of security strategists and security thinking in relation to what threatens us most, whether climatic environmental safety or terrorism, whether the growth of oil prices and the envisaged world power crisis will be the result of climate changes or Islamic terrorism, the past year showed us clearly that climatic, environmental and military-political security are one and the same. That there is no difference between the struggle for the new Kyoto Protocol and the struggle against international terrorism.

A year later we are standing in a new place. The G8 summit and the Putin-Bush summit showed clearly that new politics, new interests, a new existential conflict will not concern left and right, the extent of deregulation and redistribution, or methods to reduce the deficits of the social, pension and health service systems. The last year seems to have made these themes apolitical. The world power crisis has caught us unawares. Since the G8 summit world politics have been moving along a new, very frail and narrow path into the unknown: seeking precise, fragile, balanced, optimising and not in the least black-and-white solutions for the diversification of power sources, renewability, new sources of energy, reduction of the dependence on oil, the struggle against climate changes, necessary changes in the patterns of consumer behaviour, and a basic reduction in transport costs. These are the elements of the new policy, a policy of frugality and thrift. Does the Czech Republic have the capacity to become part of the European search for a new policy?

Jana Hybášková
Member of the European Parliament



Information service

Of the public consultations announced we draw attention to those dealing with the prepared revision of the 6th Action Plan for the Environment or the European Initiative for Transparency. Also worthy of attention is the possibility of expressing one's opinion on the internal report of the European Commission, which investigated practices in retail banking.

Meeting of the key EU institutions

1.8.2006	Brussels, Belgium	- Extraordinary meeting of the Council of the EU (General Affairs and External Relations)
1.-2.8.2006	Lappeenranta, Finland	- Informal ministerial meeting: Foreign Affairs
8.-9.8.2006	Helsinki, Finland	- Informal ministerial meeting: Economic and Financial Affairs (Ecofin)

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Transparency in bond markets and other non-equity markets	DG MARKT	15.8.2006
Revision of the 6th Community Environment Action Programme	DG ENV	17.8.2006
Increasing the welfare of animals used in experiments	DG ENV	18.8.2006
Reducing CO2 emissions from light-duty vehicles	DG ENV	21.8.2006
Consultation on the European Transparency Initiative	DG ADMIN	31.8.2006
The Green Paper on a European Strategy for Energy	DG TREN	24.9.2006
Vitamins and minerals in food supplements	DG SANCO	30.9.2006
Strategy for Europe on Life Sciences and Biotechnology	DG RTD	30.9.2006
Current Accounts and Related Services	DG COMP	9.10.2006
Child safety and mobile phone services	DG INFSO	16.10.2006
Regulatory Framework for electronic communication	DG INFSO	27.10.2006



The World Football Championship which ended in July evoked questions in our team that were not purely of a nature concerning sport and we deal with these in the current main theme: Are the rules for the transfers of professional players in European football clubs in line with the principles of the free movement of persons? Does the obligatory participation of clubs in national football competitions go against the rules on the non-existence of internal borders and barriers within the framework of the internal market?

PROFESSIONAL SPORT AND EU REGULATION

Are the rules for the transfers of professional players in European football clubs in line with the principles of free movement of persons in the EU? Does the obligatory participation of clubs in national football competitions not go against the rules on the non-existence of internal borders and barriers within the framework of the EU uniform market? Do the richest teams in European football not have an unhealthy dominant standing at variance with the union rules for the protection of economic competition? These and other questions appear from time to time not only in the media and among interested parties. They can be summed up in a single sentence. **Is there any sense in the European Union issuing special standards for the clear regulation of the football or general sport environment?** If so, what should their form be and what should they emphasise? Or is it better to keep the existing system, where individual cases are settled by the European Court of Justice or by the Commission separately? We deal with these problems in this special report, which is based to a considerable extent on the **Independent European Sport Review**.

There is clearly not the slightest doubt that sport – especially football – is becoming **increasingly more of a**

business. This trend has been emphasised in the past two decades. The background for this is in particular:

- **The growth of the popularity of the sport** – from the viewpoint of the growing numbers of television viewers,
- **The internationalisation of the sport** – the increasing number of international sport events,
- **The increasing prices** of television rights for the transmission of sport events.

The UN estimates that sport accounts for **3% of the world's economic activity**. According to the European Commission sport creates **1% of the GDP of the European Union**. In recent years the economic significance of sport has been further underlined by the development of new media such as mobile telecommunications and the internet.

But sport **does not only have a business aspect**. According to Eurobarometer public opinion researches up to 60% of EU citizens (271 million persons) devoted themselves to sport in 2004 and in addition, 70 million are registered members of sport clubs. A further 10 million volunteers work for these clubs.

Declaration of Nice – Declaration on the specific characteristics of sport and its social function in Europe

It was approved at the meeting of the European Council in 2000. The idea is to become a guideline for how certain problems concerning sport should be tackled from the point of view of European legislation. It is not a binding legal document.

Main points of the Declaration:

- Sport organisations and member countries have primary responsibility for sport matters. Nevertheless, the European Union must take into consideration the social, educational and cultural functions connected with European sport.
- Sport activities should be accessible to everyone according to ability and effort through a wide range of organised or individual recreational and competitive sport.
- The European Council emphasises support for the independence of sport organisations and their right to associate through suitable structures. It is the task of sport organisations to organise and support their sport and in particular to create and apply specific sport rules.
- Sport federations play the main part in ensuring the essential financial solidarity among the most varied levels of sport – from amateur sport up to the highest level. The training of young talents is of vital importance for sport and should be supported.
- The European Council expresses fear of the commercial handling of young sportsmen, including those from third countries. It therefore appeals to sport associations and member states to monitor and investigate practices that are at variance with labour law or threaten the health of young people and eventually to adopt appropriate measures.
- According to the European Council the ownership or financial control of two or more subjects acting in the same competition may cast doubt on the fairness of the sport. Where this is essential the sport unions should introduce measures for supervision of the management of clubs.
- The income from the sale of television broadcasting rights is one of the most significant financial resources in sport. The European Council feels that in accordance with the solidarity principle a commensurate part of this should be redistributed among all sport levels and fields.
- The European Council supports dialogue on the system of transfer of sportsmen with the sport union (especially football bodies), organisations representing professional sportsmen, the European Union and member states.



Main topic

In this connection there are fears that the commercial character of sport will prevail over its **social, cultural and educational function** and destroy the important values of sport.



The growth of the importance of the commercial aspect in sport also increases the **risk of legal conflicts in its operation**, as we have seen for ourselves in the last few years. The business opportunities linked with sport, in combination with the unclear legislative base, undoubtedly lead to an increased number of legal disputes. The situation is worsened by a number of current problems, such as the poor financial situation of certain clubs, the power struggle among the richest clubs and football associations and the uncovered corruption scandals linked with bribery and betting.

In this connection voices are heard calling increasingly frequently for the legal regulation of European sport – starting with football – at the Community level. This is also why, in the course of British chairmanship of the EU bodies, Minister of Sport Richard Caborn called a meeting with departmental colleagues from France, Germany, Italy and Spain, together with representatives of the European Commission and relevant football associations, to discuss the present problems of football. At the meeting it was agreed to create a special Independent Report on European Sport, which should suggest how the governing bodies of sport, the European Union and member states should best cooperate in the implementation of the Declaration of Nice (see Box) and how to resolve the key themes of European sport and especially football. The preparation of the report was entrusted to a team led by Portuguese politician **José Luis Arnault**.

KEY RULES OF SPORT

Sport has a specific nature, which differentiates it from other activities – especially business. As the Declaration of Nice states, sport has social, educational and cultural functions

and these must be taken into account in the application of Community law. A further important element is the **self-regulation and self-organisation** of the sphere, where only independent sport unions have the right to direct and organise sport organisation in their countries and in international competition. This **independence should be preserved and protected**.

The independence of sport associations does, however, have its limits because they too **move in a legislative environment**. This is linked with a number of legal cases concerning sport that were resolved by the European Commission or the European Court of Justice. Both institutions, however, decided case by case, which did not contribute to the creation of legal certainty in sport.

The Independent European Sport Review classifies the key sport rules in three main chapters, which have sub-chapters:

1. Uniformity and the Correct Functioning of Competition

It is obvious that there must be sport rules to ensure the basic conditions of the fairness of competition, which apply to everyone. The rules have several forms:

a) Rules of Play, Structure of Championships and Time Schedules

One of the main tasks of the sport/football bodies is to determine the **rules by which a competition takes place**. If these rules can be cast in doubt by a court or other public authority, the competition would basically be blocked. It is therefore clear that the stipulation of these rules must be purely in the competence of sport bodies.

b) Composition of National Teams

In past cases it has been confirmed in court that the determination of the rules for the **composition of representative teams or the criteria for the participation of individual sportsmen in international championships** are also purely the competence of the sport unions and are not in conflict with the law of the European Community.

c) National Organisation of Sport in Europe

The European Commission has confirmed in the past that the **national geographical organisation of sport** in the EU is outside the competence of European law and cannot be looked at from the viewpoint of the uniform internal market or rules of economic competition. This applies even when it has considerable economic impact.

d) Organisation of Pan-European Sport Competitions

Top European **football is based on a twin-pillared organisation**. The most successful teams of national

competitions have the right to participate in pan-European competitions (the Champions' League). As shown from the rulings of the European Court of Justice, it is the right of football bodies to demand that their members participate in the "national pillar" for qualification in the "European pillar". Recently, suggestions appeared for the creation of a special competition for the best and richest teams outside the structure of the national football leagues or the Champions' League. European law would probably **not be the instrument for the prevention of such a project**, but the participating clubs would have to bear all the consequences, including the fact that they could no longer participate in existing competitions. Nevertheless the rules of football bodies for participation in the Champions' League, etc., which are set by UEFA, are not at variance with European law.

e) General Rules for the Transfer of Players

Of key importance in this sphere was the ruling of the European Court of Justice in the Bosman case in December 1995. In connection with this case the system of transfers was regulated after agreement between the European Commission and FIFA in 2001 with the following

main aspects:

- **Protection of young players** (until they reach legal maturity),
- **Appropriate compensation** for the payment of the training of young players on transfer,
- **Stability and the observance of contracts**, including sanctions for clubs and players for interrupting them without reason,
- Transfers of players only in the **restricted transfer period**,
- A quick and effective **system for the settlement of conflicts** based on arbitration proceedings.

As the European Commission has acknowledged, none of these points **is at odds with EU law**. The rules for the transfer of players cannot, however, be based on national principles (restriction of number of players from another member country), which concerns not only players from other member countries, but also from countries with which the Union has concluded an Agreement on Partnership and Cooperation.

The Simutenkov case

In May 2003 the Spanish Court submitted a request for a preliminary question with the European Court of Justice in the framework of the conflict between Igor Simutenkov on the one side and the Spanish Ministry of Education and Culture and the Spanish Football Union on the other side in the matter of sport regulations limiting the number of players from third countries who can be nominated for a match in a national football contest in Spain.

Igor Simutenkov is a Russian citizen who at the decisive time was living in Spain, where he had acquired a residence permit and a work permit. With regard to the fact that he was employed as a professional footballer on the basis of a work contract concluded with Club Deportivo Tenerife he had a federal licence for execution of the activity of a player not originating in the Community.

In the course of January 2001 Simutenkov submitted an application to the Spanish Football Union for awarding a licence identical to that given to players of the Community. In support of this application he referred to the partnership agreement between the Community and Russia. In Article 23 (1) this states: "With the exception of laws, conditions and procedures valid in every member state, the Community and its member states shall ensure that Russian citizens legally employed in the territory of a member state are not a subject of discrimination based on nationality as concerns the working conditions, remunerations or dismissal in comparison with nationals of the member state concerned."

The Spanish Football Union rejected his application with reference to its regulations, which for the awarding of this licence require that the footballer be a citizen of the EU or of the European Economic Area (EU + Norway, Iceland and Liechtenstein).

Simutenkov was of the opinion that the differentiation between nationals of a member state of the EU or the EEA and nationals of third states according to this legal regulation was, as far as Russian players were concerned, incompatible with the partnership agreement of the European Community with Russia and that it restricts the execution of his vocation. The number of players from third countries is restricted to a maximum of three in one match of the Spanish League.

He therefore filed a complaint against the decision of the Spanish Football Union to the court, with which the Spanish Ministry of Education and Culture also agreed. This complaint was rejected and Mr Simutenkov appealed to a court of higher instance, which addressed the European Court of Justice with a preliminary question. The supreme court authority of the EU in the end ruled that the Russian footballer was in the right, stating that "Article 23, Section 1 of the Agreement on Partnership and Cooperation between Russia and the EC must be interpreted in the sense that it prevents application to professional sportsmen of Russian nationality, properly employed by a club with headquarters in a member state, any rule issued by a sport federation of the same state according to which clubs may nominate for matches in competitions organised at national level only a limited number of players originating from third countries that are not a contracting party of the European Economic Area."



Main topic

f) Release of Club Players for International Matches

The obligation of clubs to release their players for representative purposes is essential to ensure that the **national teams are truly made up of the best players**. It also ensures that the nominated players are available to the national representative teams for the full duration of the sport event and cannot be recalled by their clubs. According to the authors of the Independent Review this rule is not in conflict with the law of the European Community and at the same time it should also be considered as a purely sporting measure, out of reach of the *acquis communautaire*.

The case of Royal Sporting Charleroi F.C.

Recently doubt has been cast on the rule for the obligatory release of footballers by clubs for international matches. The Belgian club of Royal Sporting Charleroi F.C and the G-14 group, associating the 18 richest European football clubs, filed a complaint against FIFA in March this year in a commercial court in Charleroi, Belgium. They accused the international football association of "illegal use of players in national teams". The Belgium football club decided on this step when a player, Abdelmajid Oulmers of Morocco, was injured during an international match. Now, together with the clubs of the G-14 groups, it demands that the court acknowledge the above-mentioned FIFA rule to be illegal and force the association, after consultations with clubs, to revise this. In addition the clubs of the G-14 are demanding EUR 860 million from FIFA as compensation for the application of the rule to their players who were injured during international matches over the past ten years.

The Charleroi court rejected the demand for almost EUR 1 billion in compensation for the richest European clubs. In the matter of the legality of the FIFA rule on the obligatory release of players it addressed the European Court of Justice (ECJ) with a preliminary question in order to decide whether this is in keeping with the free movement of persons (Article 39 of the Rome Treaty) and services in the EU (Article 49 of the Rome Treaty) and whether there is any abuse of dominant position on the part of the international football association (Articles 81 and 82 of the Rome Treaty).

g) Time Limits for the Transfer of Players

It is clear that the transfer of a player at any time in the course of a competition changes the strength of the sport clubs and thus casts doubt on the fair functioning of the competition. For this reason the Court of Justice acknowledged that the established **restrictions on the transfers of players are not at variance with the freedom**

of movement in the EU. At the same time the use of adequate sanctions for the infringement of players' contracts in the course of the sport season, which would also disrupt the regularity of the competition, is not considered to be a disruption of Community law.

h) Rules for Attracting Onlookers to Sport Events

Football is not only a television event, but in particular a "live" performance. Football without onlookers in the stands would lose its meaning and become unattractive for football broadcasts too. For this reason the European Commission also considers the **steps of sport bodies taken to attract onlookers to the stadium**, including for instance the controversial rules limiting the television broadcasting of football matches, to be in line with European law.

i) Anti-doping Rules

All sport management bodies have a natural and legitimate interest in keeping sport clean. Anti-doping measures have already been handled by the Court of Justice, which ruled that for the purpose of fairness in sport the setting of the rules for the control of doping is in the competence of the sport unions. Matters concerning doping should not be subjects of community law.

2. Integrity

For the correct functioning of sport contests it is essential to ensure that they take place **in the spirit of fair play** and are free of unsuitable influences that might **cast doubt on the authenticity of the results**. Sport unions have a fundamental interest in the integrity of sport competition and therefore adopt rules to ensure this.

a) Multiple Ownership/control of Clubs

The trend of recent years, where financial investors own or otherwise control more than one football club, means that the organisers of competitions must be cautious in ensuring their integrity and fairness. The UEFA football association has therefore already taken measures according to which the same person **cannot own or control more than one club in one contest**. According to the European Court of Justice and the European Commission this rule does not infringe the European law of economic competition, though it might seem so at first glance.

b) Activities of Players' Agents

The growing economic importance of the sport, the dramatic growth of salaries for the best players and the liberalisation of the markets for player transfers have led to a significant development of the business of players' agents.

The authors of the Independent Review feel that sport bodies should adopt stricter **measures to regulate the**

activity of players' agents and resolve questions concerning their non-transparent negotiations with several parties or the risk of money laundering during transfers. This should nevertheless remain in the competency of sport bodies. These existing and possible future rules are considered to be in accordance with the law of the Community.

c) System of Club Licences

The idea of the introduction of a system of awarding licences to football clubs is to protect the interests not only of the organisers of a competition, but also of the players and onlookers. The club requires this licence to participate in club contests (leagues) and one of its purposes is to ensure that the club remains **financially stable throughout the contest**. And that it does not leave the contest during its course or finish playing with a completely different team because it was unable to pay the players. The system has already been investigated in the EU by the Anti-monopoly Office in Belgium and was declared to be in keeping with the rules of economic competition, provided its demands are reasonable and appropriate. The setting of the system of licensing clubs should continue to be in the competence of sport management bodies.

3. The Evenness of Competition

It is natural that the legitimate policy of sport unions is to **contribute to the evenness of sport competitions**. More even matches offer more sport enjoyment and are more attractive to onlookers, which is beneficial to the economic side of sport. In recent years, however, there has been a decline in the evenness in a number of European football competitions, whether in the framework of a league (the same group of a few teams has a chance at a title each year) or among the leagues (only teams from a few countries can be successful in the Champions' League). The growing concentration of wealth and success may thus damage European football in the long term.

There are a number of measures to promote the requirement of the evenness of sport competitions:

a) The Rule of Players Trained at Home

In sport too in recent years we have seen increasing outsourcing in the training of talents. Instead of investing in the training of young hopefuls the large clubs prefer to expend large sums on the purchase of "complete footballers" from other clubs. The evenness of competition would be enhanced if there were a weaker link between the budget of the team and sporting successes. In this connection UEFA recently established a new **system for the support of the "home-training of players"** in

combination with a limit on the number of members in a team. It is based on the minimum number of home-grown players in the team (4 from the 2006/07 season to 8 from the 2008/09 season) and a maximum number of 25 players in the team. The rule also defines the concept of "home-grown players".

b) Central Marketing of Commercial Rights

Clearly the most visible example of where the specific nature of sport must be taken into consideration in the application of the economic competition law is the collective **sale of television rights and the re-distribution of the revenues achieved from this**. Football clubs cannot, in fact, be considered as horizontal competition. They have to rely on one another – the existence of a single club in a monopoly position does not make sense in sport. For this reason the European Court of Justice has admitted in the past that certain restrictions on economic competition may be essential to ensure the correct functioning of the sport branch.

The central marketing of commercial rights is the **basis of the financial solidarity of European football**, compared with the individual sale of rights, from which only the strongest clubs earn and which leads to a reduction in the evenness of competition. For this reason it is considered admissible that the football union should impose on a club the obligation to participate in the system of collective sale of commercial rights. In the past European institutions have so decided in individual cases, but for the future it is a good idea in the interest of greater clarity to consider a regulation on a block exception for the whole branch.

c) Wage Ceilings

With the absence of any regulatory elements it is probable that the richest clubs will over-pay and buy up the greatest sport talents. In classical business this is the natural path of competitive struggle, but the specific nature of sport calls for a different viewpoint. In the long term a **sport is more successful the more even, and therefore the more attractive, the competition**.

The greater evenness might also be helped by **salary ceilings**, which would not allow the richer clubs to overpay and win over players from smaller teams. In a number of sport contests in the USA this system has been functioning effectively for several years now (since last season, also in the NHL) and in Europe wage ceilings are used, for instance, in English rugby. Although the authors of the Independent Review feel that the introduction of salary ceilings would benefit European football, the decision is purely **in the competence of sport management bodies**.



Main topic

DRAFT LEGISLATIVE INSTRUMENTS FOR THE REGULATION OF SPORT IN THE EU

The key element of the primary law of the European Community – Roman law – **does not contain any explicit mention of sport in the EU**. This situation should change with the Treaty on the Constitution for Europe, which devoted an entire Article to sport (Article III-282). Its future is, however, uncertain and with the greatest probability it is a dead document in its present form.

Sport is also the subject of the law of the EU in some of its areas, but it is **not expressly regulated by any legislative norm**. This contributes to the unclear legal status of sport and the uncertainty arising from this. For this reason it is necessary to find a stable and predictable legal framework within which sport could function, argue the authors of the Independent Review. The existing method of settling disputes "case by case" by the European Court of Justice or the Commission **has not brought legal security to the sport**.

In the adoption of any legislative standards regulating sport it is important to realise the following specifics of sport:

- a) **Acceptable forms of discrimination in sport** – these concern discrimination on the basis of, for instance, gender, weight, age, national quotas, etc. The aim here is not to restrict anyone, but to organise the fairness and meaningfulness of sport competitions.
- b) **Sport and economic competition differ palpably** – this logical conclusion emerges from the fact that
 - Players and clubs are mutually economically dependent of one another, their aim is not to monopolise a competition and totally liquidate the other competitors,
 - League competitions in individual countries de facto form natural monopolies,
 - Onlookers prefer a uniform sport organisation structure from which it clearly emerges who is the champion in the given branch of sport,
 - The fans are not ordinary consumers of a service; they remain loyal to their team and do not choose daily according to the play (service) of the competing teams.

The team of authors of the Independent Review analyses the possible legislative instruments of the EU that would enable the elimination of the uncertainty of European sport while being aware of its specific traits and the differences compared to the business environment.

1. Block Exemptions from EU Competition Law

One of the possibilities for introducing greater certainty into the settlement of sport conflicts is the adoption of a special

regulation of the European Community, which would award sport a block exemption from the competition law of the Union.

The conditions for the provision of block exemptions are regulated by the Treaty of Rome in Article 81 (3). According to this standard the following prerequisites must be fulfilled for awarding an exemption from agreements between competing subjects:

- They contribute to the improvement of the production or sale of products or to the support of technical or economic progress,
- They reserve for consumers an appropriate share in the benefits arising from this,
- They do not impose on the competitors concerned restrictions that are unnecessary for the achievement of these aims,
- They do not enable these competitors to exclude competition in relation to the main part of the products concerned.

At present a number of block exemptions are legislatively enabled in the EU for various reasons:

- **Vertical agreements** – Regulation 2790/1999/EC,
- **Horizontal agreements** – Regulation 2658/2000/EC,
- **Agreements on the transfer of technology** – Regulation 772/2004/EC,
- **Agreements in insurance** – Regulation 358/2003/EC,
- **Agreements in the automobile sector** – Regulation 1400/2002/EC,
- **Agreements in transport** – Regulation 823/2000/EC.

If a special regulation were adopted, which would implement block exemption from competition law in the EU in the field of sport, this would give sport subjects the legal certainty that they are acting in keeping with the law.

Possible examples of clauses that could be incorporated in the **block exemption regulating, for instance, the collective sale of media rights**: (i) maximum duration of agreements, (ii) suitable "packaging" of television rights to simplify competition, (iii) agreements on the association of means from the sale of rights as a condition for allowing participation in the competition, (iv) use of the rights in new media (internet, mobiles), (v) balance between free and paid television services, etc.

2. Guidelines for the Application of EU Competition Law in Sport

An alternative to the adoption of a special regulation on a block exemption might be a "softer instrument" in the form of **guidelines of the European Commission on the**

application of EU competition law in sport. Their aim should be to interpret existing rules in a uniform manner and at the same time, indicate how decisions will be made on similar cases in the future. The idea is to ensure the **correct and consistent application of community law**. On the basis of studying the guidelines every sport subject should assess whether the appropriate agreement is in accordance with EU competition law or not. The guidelines would also be a useful instrument for national courts, which could use them in the case of sport disputes.

According to the authors of the Independent Review such guidelines should deal in particular with the following spheres:

- a) **Measures outside the range of Articles 81 and 82 of the Rome Treaty** (they regulate the ban on cartels and the abuse of a dominant standing on the market) **and outside the rule of four freedoms in the EU** – here there should be included rules of a purely sport nature, even though they may have economic consequences, of the type: (i) rules of play (length of match, number of players on the field), (ii) nationality clause for matches of national teams, (iii) rules of selection for international competitions, (iv) ban on and recourse regarding doping, (v) release of players for representative matches, (iv) ban on the multiple ownership of clubs,....
- b) **Measures warranting exemption from the ban on agreements among competitors** (Article 81, Section 3 of the Rome Treaty) – these emerge from the fact that among sport clubs there is no direct economic competition and therefore the agreements of clubs arising from the membership of a single sport association should be considered as meeting the conditions for the allocation of an exemption from the ban on agreements. Exemption should also be given to agreements between sport clubs and players' associations in a framework similar to the "social dialogue" from the business environment.
- c) **Sport as a general economic interest** – Article 86 (2) of the Rome Treaty enables, under certain conditions exemption from the ban on agreements among competitors. The authors of the Independent Review feel that it is sport unions carrying out services of general economic interest for the widest public and their activities that should be considered in connection with the given exception. For greater legal certainty this interpretation should also be incorporated in the appropriate guidelines.
- d) **State aid for sport** – sport is a typical example of a branch where aid from public means is frequently provided. Examples are direct financial subsidies;

provision of guarantees for loans; construction, cheap sale or advantageous hiring of sport equipment, etc. Although state aid to sport may lead to "market deformations" the problem is far more complicated because sport has a number of functions outside of economics – social, cultural, health, educational, ...

According to the authors of the Independent Review it should be clearly stated in the guidelines that the support of sport is compatible with the internal market in the EU on the basis of Article 87, Section 3, Letter d) of the Rome Treaty because it is intended to assist culture and the preservation of the cultural heritage, provided it does not influence the conditions of trade and competition in the Community to an extent at odds with joint interest.

- e) **Other relevant spheres in sport** – their regulation in the form of inclusion in the guidelines is possible, unless it should be more suitable or easier to include them in the regulation on block exemption in sport. These concern in particular the following areas:

- **Central sale of marketing rights** – this supports the principle of solidarity among clubs and is made possible by the difference between sport and economic competition,
- **Rules for training young players** – this includes, for instance, the rule on the minimum number of home-grown players in the team,
- **Control of expenditure on the salaries of players** – infringes economic freedoms for the purpose of encouraging the evenness of competition and preserving attractiveness for onlookers, for which reason it should be permitted,
- **System of licences for clubs** – the requirements for the financial health of clubs and others are indeed restrictive in nature, but their advantages should prevail in guaranteeing the stability, credibility and transparency of sport competition.

3. Guidelines for the Application of Freedom of Movement of Persons in Sport

In sport cases it is a frequent phenomenon that they must be judged not only according to competition law, but also **according to the regulation of the freedom of movement of persons in the European Union**. It is therefore essential to adopt measures clarifying the relationship of sport to the right to move and work freely in the EU. As opposed to economic competition it is impossible in this sphere to adopt a regulation on block exemption and so the authors of the Independent Review propose creating guidelines for the



Main topic

application of Community law enabling the free movement of persons in the Union for the field of sport.

In sport there are a number of measures that block the free movement of persons (regardless of nationality). According to the authors of the Independent Review the guidelines should incorporate that sport rules will not be considered as infringement of the free movement of persons in the EU, **provided they meet the following conditions:**

- They are applied in a **non-discriminatory manner**,
- They are **justified by unavoidable requirements of general interest**,
- They are **adequate for achievement of the aim pursued** and must not be stricter.

For instance the UEFA Rules calling for a certain number of "home-grown" players and a maximum number of players in a team do indeed restrict freedom of movement, but they meet the given conditions and thus should not be considered to infringe EU law. For greater legal certainty it is, however, essential to promote this regulation in the form of these guidelines for instance.

4. Other Legal Instruments of the EU

Not all problems in sport, however, concern competition law or the free mobility of persons. For greater certainty it is necessary to adopt a clear legal base in other areas of sport. The authors of the Independent Review on European football propose the following measures:

a) Directive on Youth in Sport

In the sport sector young people often appear in commercial relationships (e.g. work and sponsorship contracts). These arrangements are then sometimes not in keeping with **Directive 94/33/EC on the protection of young people at work**. The European Commission should therefore demand of member states that they apply the measures contained in this directive. Young people in sport, however, are also affected by a number of non-work themes not handled by this directive. Intensive training may influence the physical, psychological, moral and educational characteristics of the young person. For this reason, the authors of the Independent Review feel that it would be useful to adopt a special directive on young people in sport.

b) The European Collective Agreement

As in other sectors, social dialogue is also implemented in sport. In spite of the international or pan-European structure of sport, however, there is no European Collective Agreement. The authors of the Independent Review feel that its legislation would be of benefit to sport because it would contribute to the **harmonisation of national work standards**

in sport and thus also to fairer competition in sport. The European collective agreement would contain in particular the following points: (i) the legal nature of contracts with players, (ii) the minimum and maximum duration of a contract, (iii) the conditions of employment of players from third countries, (iv) the system of social security for players, (v) conditions for the cancellation of contracts, etc.

c) Directive on Players' Agents

The activities of agents in the business sector are already regulated by Directive 86/653/EC on the coordination of the legal regulation of member states concerning independent trade representatives; **a similar instrument would also be useful in sport and especially in football**. Any directive should regulate (i) the conditions of contracts with agents with certain minimum obligations for both agents and players, (ii) the method of remuneration, (iii) the duration of contracts, (iv) the clause of forbidding work for competitors, (v) the licensing of agents, etc.

d) Directive on Betting on Sport

After the recent betting affairs in Italy **the need to regulate sport betting in the EU** has increased. The directive could regulate the exchange of information between state and sport bodies. It would define the range of persons (e.g. players, agents, owners of clubs, their relatives,) who cannot bet on matches, the results of which they can influence directly. The subject of its regulation would also be the activities of offshore betting companies, which are becoming stronger on the internet, or the prevention of money laundering in this sphere.

e) Other Legal Instruments

Apart from the above-mentioned directives, regulations or special guidelines the individual conflict aspects of sport might also be covered by further instruments of softer legal strength in the line of recommendations, gentlemen's agreements, white and green EU books, action plans, informative notifications, ethical codes, opinions, etc.

5. European Sport Agency

The authors of the Independent Review incline towards the idea of creating a European Sport Agency, which would act as a European monitoring and sport centre and provide the Community and the member states with trustworthy and comparable information on sport. This Agency would also be responsible for the management of the initiatives and programmes of the EU for the field of sport (e.g. the European Year of Education through Sport, etc.). The Agency should not, however, threaten the position of UEFA, which should continue to be the main management body for European football and in addition strengthen cooperation with European institutions.



In the summer holiday period Cyprus is among the increasingly popular destinations for tourists from every corner of the European Union. This is also why we concentrated on the Republic of Cyprus in a period of record temperatures. Cyprus has several important specific traits. It is the richest state of all the new members. As far as the number of inhabitants is concerned it is one of the smallest, with Luxembourg and Malta the only EU states with fewer inhabitants.

CYPRUS

Government type/chief of state	republic / president Tassos Papadopoulos
Area (share of EU)	9 250 km2 (0.23%)
Population (share of EU)	749 200 (0.16%)
Age structure	0-14 years: 19.2%, 15-64 years: 68.9%, over 65 years: 11.9%
Total GDP (share of EU)	13.4 EUR bn (0.12%)
GDP per capita in PPS	83.4% of EU-25 average
GDP - composition by sector	agriculture: 3.0%, industry and constr.: 20.3%, services: 76.7%
Average inflation	2.0%
Average unemployment	5.4%
GDP growth	3.8%
General govern. balance	-2.4% of GDP
General government debt	70.3% of GDP
Number of NUTS2	1 NUTS2, Cyprus 83.4%

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

Even in the case of Cyprus – like the majority of countries represented in the framework of this regular column – it is possible to find several very typical and not completely repetitive social-economic characteristics. One of these is, for instance, that Cyprus represents the economically most advanced country among the new countries, whose activities are dominantly directed towards tourism. The most important parameter of the social-economic development of Cyprus is a matter truly not repeated in any other member country – the political and territorial division of the single geographical entity of the island. This division or the attitude to it may take on special importance in connection with various versions of the scenario of the integration inclusion of Turkey.

The post-war development of Cyprus can also be described as everything possible, but not by the words peaceful or continuous. In 1960 the political independence of Cyprus was declared. The economic performance at this time and the structure of the main economic activities were highly insufficient and a far cry from the ideas of modern economics. The country was considerably dependent on agricultural production and the services sector was practically undeveloped. The period of the sixties and the first half of the seventies was therefore a characteristic period of radical utilisation of this potential in the form of truly fundamental structural changes, which made themselves felt relatively soon in an above-average rate of economic growth.

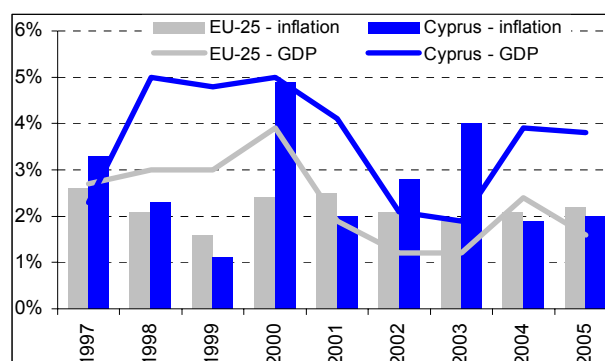
1974 then brought another shock moment in recent Cypriot history: the invasion of the Turkish Army, the result of which was (and still is) the factual division of the island into Turkish (roughly one third) and Greek. This intervention caused not only considerable political and security uncertainty and considerable movement of persons between the two divided parts, but also and in particular the temporary cessation of the economic prosperity up to that point.



The period of the eighties thus meant starting again almost from scratch for the Greek part of the island (recognised by the majority of the international community). The south part of the island was at that time poorer than the northern part; all the essential investments had to be allocated anew. To begin with a great barrier from the viewpoint of the external openness of Cyprus was the closing of the international airport in Nicosia, which was part of the Green Line of the border between the two parts. In the course of the eighties the Cypriot economy again got into excellent form (as opposed to the internationally isolated Turkish part of the island).

The open door of the process of European integration brought Cyprus to the conclusion of customs union with the European Communities in 1988. This moment led to a targeted effort for full accession to the Union, which it succeeded in May 2004. At that time the Cypriot economy already represented a standardly functioning system of the western type with no marked endogenous risks or negative moments. The system, based on the functioning of services mainly connected with tourism, is one in which the share of the processing industry is, from the viewpoint of the EU average, relatively low. The main future uncertainty, even for economic decisions, thus continues to be the resolution of the key problem of Cypriot reunification, which cannot take place without the helpful attitudes of both Greece and Turkey and the active support of the other European countries and declared interest of European institution.

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

in %	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
	2003	2004	2005	2003	2004	2005	II-06	III-06	IV-06	II-06	III-06	IV-06
Belgium	0.9	2.6	1.2	4.5	3.5	2.2	8.4	8.4	8.4	2.6	2.8	2.5
CR	3.2	4.7	6.0	-6.3	-6.0	-2.3	7.5	7.4	7.3	2.3	2.8	2.3
Denmark	0.7	1.9	3.1	3.2	2.3	2.9	4.0	3.9	3.9	1.8	2.1	2.1
Estonia	6.7	7.8	9.8	-11.9	-12.7	-10.6	5.2	5.0	4.9	4.3	4.6	4.4
Finland	2.4	3.6	2.1	3.8	4.1	2.4	7.8	7.7	7.7	1.5	1.7	1.5
France	0.8	2.3	1.4	0.2	-0.7	-1.2	8.9	8.8	8.7	2.0	2.4	2.2
Ireland	4.4	4.5	4.7	0.0	-0.8	-1.9	4.3	4.3	4.4	2.7	3.0	2.9
Italy	0.0	1.1	0.0	-0.9	-0.5	-1.1	n/a	n/a	n/a	2.3	2.3	2.4
Cyprus	1.9	3.9	3.8	-0.9	-5.3	-5.7	5.4	5.6	5.6	2.5	2.5	2.6
Lithuania	10.5	7.0	7.5	-6.8	-7.9	-7.0	5.9	5.6	5.5	3.4	3.6	3.7
Latvia	7.2	8.5	9.1	-8.1	-12.9	-12.4	7.8	7.7	7.6	6.1	7.1	6.3
Luxembourg	2.0	4.2	4.2	6.4	10.5	8.4	4.8	4.7	4.7	3.5	3.6	3.9
Hungary	3.4	4.6	4.1	-8.6	-8.4	-7.4	7.4	7.3	7.3	2.4	2.9	2.9
Malta	-2.5	-1.5	2.5	-5.8	-9.6	-12.9	8.4	8.3	8.5	3.5	3.5	3.3
Germany	-0.2	1.6	0.9	2.1	3.7	3.9	8.2	8.3	8.2	2.3	2.1	2.0
Netherlands	-0.1	1.7	1.1	5.9	6.2	7.1	3.9	3.9	3.8	1.8	1.8	1.8
Poland	3.8	5.3	3.2	-2.1	-4.2	-1.5	16.5	16.3	16.0	1.2	1.5	1.5
Portugal	-1.1	1.1	0.3	-6.5	-7.8	-9.5	7.6	7.5	7.4	2.9	2.9	2.8
Austria	1.4	2.4	1.9	1.5	2.7	2.9	4.9	4.9	4.9	2.1	2.1	1.8
Greece	4.8	4.7	3.6	-10.0	-9.5	-9.2	n/a	n/a	n/a	3.5	3.3	3.4
Slovakia	4.5	5.5	6.0	-0.5	-3.4	-8.5	15.3	15.3	15.1	4.4	4.8	4.5
Slovenia	2.7	4.2	3.9	-0.3	-2.0	-1.1	6.5	6.5	6.5	2.8	3.4	3.0
Spain	3.0	3.1	3.4	-4.1	-5.8	-7.4	8.3	8.3	8.3	3.9	4.1	4.0
Sweden	1.7	3.7	2.7	6.6	6.6	5.9	n/a	n/a	n/a	1.8	1.9	1.9
UK	2.5	3.1	1.8	-1.4	-2.0	-2.6	5.3	n/a	n/a	2.0	2.2	n/a
EU-25	1.2	2.4	1.6	0.1	0.0	-0.3	8.2	8.2	8.1	2.3	2.4	2.4

in %	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
	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	118.0	118.2	117.3	102.3	104.0	104.2
CR	-6.6	-2.9	-2.6	30.0	30.6	30.5	67.8	70.2	73.1	54.7	55.5	55.0
Denmark	1.0	2.7	4.9	44.4	42.6	35.8	120.9	121.6	123.1	135.6	138.8	137.0
Estonia	2.4	1.5	1.6	6.0	5.4	4.8	48.2	51.2	55.7	107.5	108.7	106.6
Finland	2.5	2.3	2.6	44.3	44.3	41.1	111.1	112.2	112.4	124.4	125.9	122.9
France	-4.2	-3.7	-2.9	62.4	64.4	66.8	111.7	109.6	108.7	106.1	105.8	108.0
Ireland	0.2	1.5	1.0	31.1	29.4	27.6	134.0	136.9	138.2	122.4	126.6	123.1
Italy	-3.4	-3.4	-4.1	104.2	103.8	106.4	107.7	105.6	103.4	97.9	102.3	102.7
Cyprus	-6.3	-4.1	-2.4	69.7	71.7	70.3	79.8	82.7	82.5	90.9	96.5	93.3
Lithuania	-1.2	-1.5	-0.5	21.2	19.5	18.7	45.2	47.8	50.9	54.6	54.9	54.6
Latvia	-1.2	-0.9	0.2	14.4	14.6	11.9	40.8	42.8	46.7	57.6	55.4	56.4
Luxembourg	0.2	-1.1	-1.9	6.3	6.6	6.2	233.6	238.3	242.6	102.5	105.3	106.1
Hungary	-6.4	-5.4	-6.1	56.7	57.1	58.4	59.2	60.1	61.5	56.9	59.0	61.9
Malta	-10.2	-5.1	-3.3	71.3	76.2	74.7	72.6	69.2	69.4	73.7	74.4	74.9
Germany	-4.0	-3.7	-3.3	63.8	65.5	67.7	108.3	108.5	108.0	107.5	108.7	106.6
Netherlands	-3.1	-1.9	-0.3	51.9	52.6	52.9	124.6	124.3	123.5	105.3	106.6	105.2
Poland	-4.7	-3.9	-2.5	43.9	41.9	42.5	46.9	48.8	49.6	59.5	53.4	52.4
Portugal	-2.9	-3.2	-6.0	57.0	58.7	63.9	72.8	72.3	71.0	76.2	87.3	85.7
Austria	-1.5	-1.1	-1.5	64.4	63.6	62.9	120.7	122.5	122.2	105.2	105.7	103.6
Greece	-5.8	-6.9	-4.5	107.8	108.5	107.5	81.0	81.9	83.5	82.2	84.5	85.1
Slovakia	-3.7	-3.0	-2.9	42.7	41.6	34.5	51.9	53.0	55.3	44.6	50.5	54.9
Slovenia	-2.8	-2.3	-1.8	29.1	29.5	29.1	75.9	79.0	80.7	75.5	77.9	75.8
Spain	0.0	-0.1	1.1	48.9	46.4	43.2	97.3	97.5	98.1	85.0	86.6	87.4
Sweden	0.1	1.8	2.9	51.8	50.5	50.3	115.7	117.3	118.2	121.1	124.0	121.1
UK	-3.3	-3.3	-3.6	39.0	40.8	42.8	116.1	116.1	115.8	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

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