



# EU News

## Monthly Journal

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- |                |   |
|----------------|---|
| <b>Page 3</b>  | Car Price Convergence within the EU is Slow                   |
| <b>Page 5</b>  | Serbia will be ready to join the European Union in 2012       |
| <b>Page 6</b>  | Brochure on Projects within INTERREG IIIC programme           |
| <b>Page 10</b> | Topic of the Month:<br>Free movement of workers within the EU |
| <b>Page 16</b> | Country focus:<br>Malta                                       |



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Dear readers,

summer is nearly over and autumn activities related to European integration are gradually gaining pace. After the August holidays, European institutions are slowly awakening and their operating procedures and systems are heating up.

In a few weeks' time they will achieve a working temperature, with an impact on the Czech Republic in many respects – on us, the citizens; but also on the persons in charge in governmental and regional authorities and consequently a number of potential project researchers to be supported from EU funds in the following programme period. The coming autumn will be important in this respect especially because it is to mark the finalization of the development of all the tools required to ensure the efficient use of the EU funds on our part.

The preparations consist of more than a “mere” creation of more than 20 new operation programmes of a regional, topical, territorial and supportive character. They also include their final defence in the Commission and the final commissioning stage within the following year. An important part of the defence is to prepare the individual operational programmes thoroughly and to take into account all their functional details, and to assess the programmes as a system, as a solution complex for structural and cohesion policy and its application in the Czech Republic in general.

This is obviously one of the key challenges for the upcoming weeks and months. Other challenges, at least from the perspective of the Czech Republic, are undoubtedly related to the newly established government's duty to formulate its “European” priorities related to the EU presidency in 2009, to the Euro, to the information flows between the EU and the Czech Republic and its citizens.

Development in August has not, however brought that many challenges. Still, there were very painstaking preparations for events to be launched in full in the autumn. The 2007 EU budget based on the new financial perspective framework that is to start in 2007 will bring about unrestrained discussions with a number of contradictory opinions, approaches and interests. One of the highlights of the autumn programme in the EU will be negotiations on its further extension; the focus will not, however be the principal point, i.e. the accession of Romania and Bulgaria, but other topics, the most important of which is obviously the assessment of the Turkish progress report on its preparations for its demanding journey to the EU.

The presented menu indicates that the following weeks and months in the EU will definitely not be boring. The limited scope of this page does not allow us to present the complete menu; the number of other events may hardly be envisaged. Yet we hereby promise to inform you in our EU News Monthly Journal of all events related to European integration activities.

We wish you a pleasant late summer and early autumn and much fruitful contemplation on the future outlook of the EU. Yours sincerely,

Petr Zahradník



## Events

The European Commission has adopted the proposal of EU Trade Commissioner Peter Mandelson for anti-dumping duties on leather shoes from China and Vietnam. The final decision is to be adopted by the Member States but a number of them are against this protectionist measure. According to the regular semi-annual report, car prices in individual Member States will converge in the long-term perspective. The main reason for car price differences is the different rate of value added tax.

### TRADE

#### Commission Proposes Duties on Shoes from China and Vietnam

The European Commission has adopted the proposal of EU Trade Commissioner Peter Mandelson for **anti-dumping duties on shoes from China and Vietnam** even after October 6 when the provisional duties assessed in April this year will expire. Imported leather shoes will be subject to a duty of 16.5% and 10% for Chinese and Vietnamese production, respectively, for a period of up to five years. This is based on the Commission's opinion that shoes imported from China and Vietnam to the EU are supported by hidden subsidies and unfair aid provided in favour of their leather footwear sector. The duties should not apply to children's shoes and special sports shoes.

The application of such duties is up to individual Member States and is not at all certain. Experts from Member States rejected them at the beginning of August. The voting was, however not binding and of an advisory nature; a binding opinion is to be expressed by a simple majority of the Member States' Ministers in the EU Council meeting in September. As indicated in the experts' choice, the **Member States are divided with respect to the introduction of protective measures** against China and Vietnam. The South European states, in particular Italy, with a long tradition in the shoe industry, require unambiguous protection against the import of cheap shoes from Asia and also reject the duty-free quotas. More liberal states such as the United Kingdom and Sweden, on the other hand support the full abolishment of duties since they are apprehensive about the increase of prices for customers.

According to Eurostat, the increase in **shoe imports from China was 450% in 2005** compared to 2004, while the increase in imports from Vietnam remained roughly the same due largely to competition from China.

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/315>

### INTERNAL MARKET

#### Free Movement to Start Slowly: Contribution of Italy

One of the most sensitive measures in the new Member States – transitional restrictions applicable to the free movement of workers between the EU-10 and the EU-25 – is gradually **becoming looser to the benefit of workers from the new Member States**.

Italy, so far perceived as protecting its labour market rather strictly, adopted a decision at the end of July to terminate the transitional arrangements preventing workers from eight of the new Member States to enter the domestic labour market.

This measure was adopted relatively shortly after the establishment of the new centre-left Italian government under the former President of the Commission, Romano Prodi. By doing so, **Italy became the eighth "old" Member State to alter the application of this arrangement**.

The decision is contrary to the rather **recent statement of Prodi's predecessor, Berlusconi**, stating the intention to keep the protective arrangements until 2009.

Various procedures are applied by the EU-15 in this respect: the **United Kingdom, Ireland and Sweden** did not apply any restrictive arrangements to workers from the new Member States and opened their labour markets as early as May 2004. **Finland, Spain, Portugal and Greece** decided to open their markets following the first stage according to the principle of 2 + 3 + 2 years (from the date of the EU accession), i.e. in May of this year. **France** decided to apply gradual phasing for several years depending on the development of individual professions. **The Netherlands and Denmark** also have the tendency to apply the French approach. The opposite approach (rather strict) is applied mainly by **Austria and Germany** (as well as **Luxembourg and Belgium**) and they are very likely to keep certain restrictions until the utmost possible deadline, i.e. May 2011.

**The free movement of persons is one of the fundamental freedoms** guaranteed by Community law (Article 39 of the EC Treaty) and it is an essential element of European citizenship. Community rules on the free movement of workers also apply to citizens of the European Economic Area (**Iceland, Liechtenstein and Norway**). The relevant rights are complemented by a system for the co-ordination of social security schemes and by a system to ensure the mutual recognition of diplomas.

[http://ec.europa.eu/employment\\_social/free\\_movement/enlargement\\_en.htm](http://ec.europa.eu/employment_social/free_movement/enlargement_en.htm)

#### Britain to Delay Opening of the Labour Market to Bulgaria and Romania

It is said that the government of the United Kingdom is **considering the adoption of a rather strict arrangement to the admission of Bulgarian and Romanian citizens** to its labour market after the two countries – probably as soon as 1/1/2007 – join the EU. Still, the United Kingdom is one of the most liberal Member States and it is in favour of





removing impediments to the Single Internal Market, including the labour market.

According to the British media, the internal statistics of the government anticipate that following the accession, **60,000 to 140,000 workers from Bulgaria and Romania will enter the British labour market.** Even the general public does not support opening the labour market to citizens of the two Balkan countries.

The grounds for the contemplated restrictions are related to the situation after the EU enlargement two years ago. The **United Kingdom** was the only country, together with **Ireland** and **Sweden**, that opened its labour markets to the eight new Member States from Central and Eastern Europe. The inflow of workers from those states, however, **far exceeded the expectations.** While the estimated number of foreign workers to arrive was about 13,000, statistics published this summer show that **more than 427,000 workers** have registered for jobs in the UK from 2004 to the present. More than three fifths come from Poland.

Formally, the United Kingdom **should make a decision in the autumn**, after the final decision on the date of accession to the EU by Bulgaria and Romania. The latest news implies that there could be a system of work permits for citizens of both countries and to obtain this permit immigrant workers would be obliged to prove their ability to cover for an insufficient number of workers in specific professions.

#### Number of workers at the UK's labour market from 8 new EU Member States

Country	No. of applicants	As % of total
Czech Republic	22 555	5,3 %
Estonia	5 110	1,2 %
Hungary	12 870	3,0 %
Latvia	26 745	6,3 %
Lithuania	50 535	11,8 %
Poland	264 560	61,9 %
Slovakia	44 300	10,4 %
Slovenia	420	0,1 %
<b>TOTAL</b>	<b>427 095</b>	<b>100,0 %</b>

source: Accession monitoring report UK

[http://www.ind.homeoffice.gov.uk/aboutus/reports/accesion\\_monitoring\\_report](http://www.ind.homeoffice.gov.uk/aboutus/reports/accesion_monitoring_report)

### Car Price Convergence Is Slow

The European Commission's regular report shows that car price convergence across the EU has remained largely unchanged during the first half of 2006 compared to similar data six months ago. From the **long-term point of view**

**there is, however an obvious convergence tendency** resulting from the elimination of trade borders and barriers within the EU single internal market.

In absolute figures – prior to taxation – the **cheapest cars in the EU may be found in Denmark, Finland and Hungary.** The **most expensive cars, exclusive of value added tax, are in the Czech Republic**, with prices on average 7.3% higher than the EU average. Germany is the second most expensive country with respect to cars (VAT exclusive).

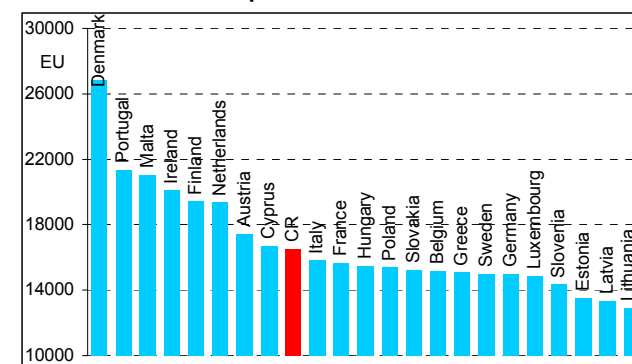
The car price differentials in the euro zone are lower on average (4.4%) compared to the EU-25 (6.5%). In addition, **cars are cheaper in the EU-10 than in the EU-15.**

Of the 10 top best selling cars the widest price differential (VAT exclusive) is for the **Ford Focus**, which costs almost 30% more in Germany than in Finland. Generally speaking, price dispersion for small and medium cars is higher than for luxury cars in separate countries.

Price differentials in cars, which can be found for prices exceeding the lowest price in certain countries by two or more times, are caused **mainly by value added tax** (and registration fees), as witnessed by Škoda Octavia. The cheapest Octavia, with a 1.6 l / 75 kW engine, Ambiente model (the price inclusive of VAT), is found in **Lithuania** for less than EUR 13,000 while the most expensive, in **Denmark** is nearly EUR 27,000.

[http://ec.europa.eu/comm/competition/car\\_sector/price\\_diffs/](http://ec.europa.eu/comm/competition/car_sector/price_diffs/)

#### Recommended retail price of new Skoda Octavia



Prices in May 2006 with taxes, the prices are converted according to the exchange rate as of May 1, 2006, the figures for Spain and the UK are not available, source: European Commission

## ENERGY AND TRANSPORT

### Energy and Transport: Figures and Main Facts

The thematic report comprises an extensive **study of the Directorate-General for Energy and Transport** and provides comprehensive characteristics of the key priorities



Serbia's Finance Minister, Mladjan Dinkic announced that Serbia will complete economic and political reforms so that it will be ready to join the EU by 2012. Our estimate, however is that Serbia will not join the EU earlier than 2015. In its struggle against global warming, the Commission requires that automotive manufacturers continue to reduce CO<sub>2</sub> exhaust emissions. Should the reduction process be too hesitant, the European executive will consider taking binding legislative measures.

of energy and transport in the forthcoming period. The study is intended for researchers of individual Operational Programmes in each Member State but generally for anybody considering application for project support as a researcher in the next programme period. The study presents **key tendencies in energy and transport development** and their mutual symbiosis and it **implies possible directions of future development**. This is the main source of inspiration for any potential active project researchers.

The study focuses on several scenarios in the field of energy efficiency and the development of renewable energy sources. It also presents the **progress of current topics in energy and transport policy included in the EU agenda**. The scenarios contain case studies of high energy efficiency and suitable applications of renewable development. Scenarios of mutual combination of high efficiency using renewable energy sources in the scope exceeding 20 % are highly interesting.

**The question of energy efficiency and renewable development** has become one of the most crucial topics in the EU agenda in the last two years; for the time being it has, however been solved particularly with respect to the energy exigency of the EU import, agricultural capacity use for energy purposes and primarily, environmental protection. The transport policy perspective is new in this respect.

Considering the volumes of funds intended for the solutions of transport, energy and environmental priorities in the next programme period, all involved parties should familiarize themselves with the content of the study.

[http://ec.europa.eu/dgs/energy\\_transport/figures/scenarios/doc/2006\\_scenarios\\_on\\_energy\\_efficiency.pdf](http://ec.europa.eu/dgs/energy_transport/figures/scenarios/doc/2006_scenarios_on_energy_efficiency.pdf)

## Commission Requires More Public Funding for Security in Transport

The European Commission has adopted a **report on the financing of security measures in the aviation and maritime sectors**. According to this report, security costs are currently borne largely by users, particularly through taxes and airport charges; public funding should gradually play a more important role. The public funding of such measures would not be deemed state aid.

The report also comments on the number of different financing mechanisms which exist in the Member States and warns that the **heterogeneity of the approach may distort competition within the EU internal transport market** and reduce the ability of European carriers to compete in the global economic environment.

"The protection of citizens against terrorist attacks must remain a top priority. Security measures in aviation and maritime transport are also to be financed by public authorities," declared Jacques Barrot, Commissioner for Transport.

<http://www.europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1086>



## ENVIRONMENT

### CO<sub>2</sub> Emissions in Cars to be Reduced

According to a European Commission report, in 2004 the average emissions of CO<sub>2</sub> from new cars were 12.4% below the 1995 level. This progress is, however insufficient and the EU executive requests that automotive manufacturers fulfil their promises. The European Association of Car Producers, ACEA promised the Commission in 1998 to **reduce CO<sub>2</sub> emissions from new cars to 140 g/km by 2008**, i.e. roughly 25% less compared to 1995. Japanese and Korean manufacturers represented by the JAMA and KAMA associations undertook to reach the same target one year later.

**Commission Vice-President Günter Verheugen** in this connection said that automotive manufacturers have made continuous and substantial progress since 1995, but the situation is not satisfactory yet.

The final objective of the EU, approved by the Member States leaders **is 120 g/km by 2012**. Should the current tendency in emission reduction be insufficient or should it become unlikely that the objective will be reached, the Commission will **consider taking binding legislative measures**.

The effort to reduce emissions is **included in the strategy to reach the Kyoto Protocol target** undertaken by the EU. Road transport is one of the important sectors, since it generates more than one fifth of all CO<sub>2</sub> emissions.



Passenger cars are responsible for one half of these emissions.

The EU, in addition to defining unambiguous quantifiable CO<sub>2</sub> emission targets, focuses on the **increase of consumer information** (chiefly through the fuel efficiency labelling of cars) and **fiscal measures** to promote the most fuel-efficient cars.

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/1134>

## EXTERNAL RELATIONS

### Switzerland to Further Support 10 New EU Member States

At present, Switzerland is creating suitable legislative instruments enabling it to **carry on with support for the countries in Central and Eastern Europe** that in the meantime – in 2004 – have joined the EU. The final preparation stage for using EU funds has been discussed widely lately, but the funds, though of a smaller volume, from Switzerland as a non-Member State contributing to the development of the Central and Eastern Europe territory should not be omitted.

The **new Eastern Europe Cooperation Act** should make it possible to continue this support. The funds should be used for the support of democratic systems and economic transformation projects as well as the reduction of economic and social disparities in the enlarged EU. The Swiss Parliament passed the new Act by a clear majority; a referendum against this Act is, however likely to happen since it was requested by several groups; the vote will be held **on 26 November 2006**.

Swiss assistance within the EU enlargement, until now some 200 million Swiss francs a year for all beneficiaries, is provided through specific programme lines and projects selected and monitored by Swiss execution in close cooperation with the partner states. The activities include:

- **Study and research programmes** for young researchers and students and apprentice training programmes;
- **Environmental projects** such as reducing the emissions of power stations and sewage purification;
- **Security projects** such as securing the external Schengen borders and modernizing the police and judiciary or combating illegal immigration and organized crime.

Cooperation in the future is to extend the aforementioned topics.

[http://www.europa.admin.ch/europapol/beitrag/expl/e/fs\\_beitrag.pdf](http://www.europa.admin.ch/europapol/beitrag/expl/e/fs_beitrag.pdf)

## ENLARGEMENT

### Serbia will be Ready to Join the EU in 2012

Serbia's Minister of Finance, Mladjan Dinkic told the Financial Times in an interview that **by 2012 Serbia will have fulfilled the economic and political reforms** and will be ready to join the EU. However, the main impediment on Serbia's path to the EU has not yet been removed. By the end of April 2005 Serbia **had failed to meet the deadline to extradite General Ratko Mladic**, a war crimes suspect, and to send him to the International Criminal Tribunal in The Hague, which was the EU's pre-condition for opening negotiations on the conclusion of a Stabilisation and Association Agreement.

The Agreement introduces exceptional relations between the applicants and the EU and is a **prerequisite for any further potential negotiations on full membership in the Community**. According to the Commissioner for Enlargement, Olli Rehn, negotiations on the conclusion of the Stabilisation and Association Agreement with Belgrade will be renewed as soon as Mladic has been sent to The Hague. This has not happened yet even though Serbia is said to be trying its best to arrest him.

We still believe that **by 2015, with the exception of Bulgaria and Romania, only Croatia may accede to the EU**. Following the rejection of the Constitutional Treaty in France and the Netherlands last year, the EU has many internal problems to solve; the EU is not ready for any further enlargement even from legislative point of view (the current EU primary law makes provisions only for the accession of Romania and Bulgaria) and even the general public in the Member States is not favourably inclined toward the accession of poorer countries.

## INFORMATION SOCIETY

### Tourism and the Internet in the EU

A number of Member States, their regions and localities consider the development of tourism the **only stimulus for economic prosperity and social stability in the given territory**. The offer of primary services (accommodation, catering, transport) as well as substantial additional services including information and information flow is becoming more and more crucial in the tourism sector. The pre-condition is to make potential clients aware of the relevant tourist facilities.

The internet is therefore an **optimum provider of information about tourism**. The recently published Eurostat study titled "Tourism and the Internet in the EU"





# Events

The 7th progress report on the promotion of European works demonstrated that in 2003-2004, television broadcasters in the EU on average devoted 60% of their programming time to European works. The most “pro-European” broadcasting was in Denmark (86.3%) and the least was in the Czech Republic (49.12%). The recently published brochure describing the INTERREG IIC programme may be interesting and inspirational for current as well as potential applicants for project support from structural funds.

shows that there is no underestimation on the side of entrepreneurs in tourism. Statistically speaking, in all the reference Member States the internet is used in a substantially larger extent in tourism than in the entrepreneurial sector in general. Among tourist service providers, the accommodation sector dominates. The average use of the internet (own websites, internet access, broadband, intranet) in the EU in the **entrepreneurial sector is 61 %**, while in the accommodation sector it is 89 %. The position of the Czech Republic in this respect is very flattering (the internet is used by 67% of corporate bodies and 88 % of accommodation providers).

### Share of enterprises having a website or a homepage in 2005

%	wider economy	accommodation sector
<b>EU-25</b>	<b>61</b>	<b>89</b>
Belgium	65	97
<b>CR</b>	<b>67</b>	<b>88</b>
Denmark	82	n.a.
Germany	72	91
Estonia	53	91
Greece	56	80
Spain	43	81
Ireland	60	77
Italy	54	92
Cyprus	44	83
Latvia	29	65
Lithuania	41	80
Luxembourg	59	66
Hungary	40	68
Netherlands	72	88
Austria	70	94
Poland	49	75
Portugal	37	75
Slovenia	59	90
Slovakia	61	88
Finland	76	97
Sweden	85	91
UK	74	100

source: Eurostat

[http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-NP-06-020/EN/KS-NP-06-020-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-NP-06-020/EN/KS-NP-06-020-EN.PDF)

### European Works’ Share of TV Broadcasting Time Now Stable at 60%

**The seventh progress report on the promotion of European works in 2003-2004** demonstrates a high quality of European audio-visual works. Television broadcasters in the EU **on average devoted 60% of their programming time to European works** and over 30% to works by independent producers. According to the report, this is proof of public support of European works and the efficiency of support measures adopted under the **Television without Frontiers Directive**.

A more detailed comparison, however shows that the data from the Member States differ considerably from the EU average. In 2004, the broadcasting of European works was highest in **Denmark** (86.3%) and lowest in the **Czech Republic** (49.12%).

<http://europa.eu/rapid/pressReleasesAction.do?reference=P/06/1115>

## REGIONAL POLICY

### Brochure on Projects within INTERREG IIC

The European Commission has published a bilingual brochure **describing the current experience with the operation of the INTERREG IIC** Community initiative in Austria, the Czech Republic, Germany, Greece, Hungary, Italy, Poland, Slovenia and Slovakia. The brochure is published in English and the national language and features distinct project experiences in these countries.

The introduction focuses on the **INTERREG IIC instrument description** focused on strengthening the innovative potential and competition through the sharing and transfer of know-how into regional policies, tools and strategies focused on their economic and social development and environmental priorities.

With respect to future development it is interesting that the INTERREG Community initiative was chosen as a base for the future objective No. 3 of the EU Structural and Cohesion Policy for 2007-2013, i.e. the development of **European territorial cooperation**.

**The Czech Republic is cooperating in 42 projects** within the INTERREG IIC programme, some of which are described in the brochure as case studies. One interesting example is the ReRegions project focused on restructuring former brown coal mining regions implemented in the Ústecký region.

<http://www.interreg3c.net/sixcms/detail.php?id=2744>



The EU is against the discrimination of any group of workers, including smokers, explained the Commission after Commissioner Špidla indicated in the media that refusal to hire smokers because of their smoking habit should not be deemed discriminatory. Anybody interested in the wide scope of events related to the EU should pay attention to the recently adopted Community Guidelines on state aid to risk capital.

### 1 AUGUST

Regional Policy: Legislative package on the new cohesion policy: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/newregl0713\\_cs.htm](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/newregl0713_cs.htm)

Fisheries: Commission proposes to extend a scheme to fishing fleets in EU outermost regions: [http://ec.europa.eu/fisheries/press\\_corner/press\\_releases/com06\\_49\\_en.htm](http://ec.europa.eu/fisheries/press_corner/press_releases/com06_49_en.htm)

### 2 AUGUST

Extraordinary General Affairs and External Relations Council meeting: [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/gena/90739.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/gena/90739.pdf)

Mid-term review of 2001 Transport White Paper - "Keep Europe moving": [http://ec.europa.eu/transport/transport\\_policy\\_review/index\\_en.htm](http://ec.europa.eu/transport/transport_policy_review/index_en.htm)

### 3 AUGUST

The publication "European energy and transport: Trends to 2030: [http://ec.europa.eu/dgs/energy\\_transport/figures/trends\\_2030\\_update\\_2005/index\\_en.htm](http://ec.europa.eu/dgs/energy_transport/figures/trends_2030_update_2005/index_en.htm)

### 4 AUGUST

Bulletin of the European Union - May 2006: <http://europa.eu/bulletin/en/200605/somma00.htm>

Report on budgetary outturn 2006 (July): [http://ec.europa.eu/budget/execution/utilisation\\_2006\\_en.htm](http://ec.europa.eu/budget/execution/utilisation_2006_en.htm)

### 7 AUGUST

Commission survey on requesting information from national authorities on posting of workers: [http://ec.europa.eu/employment\\_social/labour\\_law/postingofworkers\\_en.htm](http://ec.europa.eu/employment_social/labour_law/postingofworkers_en.htm)

Intellectual Property Rights' - information on technical cooperation in third countries: [http://ec.europa.eu/comm/trade/issues/sectoral/intell\\_property/pr030806\\_en.htm#1](http://ec.europa.eu/comm/trade/issues/sectoral/intell_property/pr030806_en.htm#1)

### 8 AUGUST

Inadequate public funding of cancer research in Europe says major pan-European survey: [http://ec.europa.eu/research/infocentre/article\\_en.cfm?id=research/headlines/news/article\\_06\\_08\\_07\\_en.html&item=Infocentre&artid=2053](http://ec.europa.eu/research/infocentre/article_en.cfm?id=research/headlines/news/article_06_08_07_en.html&item=Infocentre&artid=2053)

### 9 AUGUST

Commission was misinterpreted, it is against discrimination of smokers: [http://ec.europa.eu/employment\\_social/emplweb/news/news\\_en.cfm?id=171](http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=171)

Commission has published new guidelines on Personal Protective Equipment Directive 89/686/EEC: [http://ec.europa.eu/enterprise/mechan\\_equipment/ppe/guide.htm](http://ec.europa.eu/enterprise/mechan_equipment/ppe/guide.htm)

EU25 Foreign Direct Investment 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\\_07/2-18072006-EN-BP.PDF](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_07/2-18072006-EN-BP.PDF)

#### EU-25 FDI inflows in 2005

UK	132.3	Hungary	5.2
Luxembourg	56.8	Denmark	4.1
France	40.0	Finland	3.7
Netherlands	35.6	Portugal	2.6
Germany	26.2	Estonia	2.2
Belgium	22.5	Slovakia	1.7
Spain	18.5	Cyprus	0.9
Italy	15.7	Lithuania	0.8
Sweden	11.0	Latvia	0.5
CR	8.8	Slovenia	0.5
Austria	7.2	Greece	-0.2
Poland	6.6	Ireland	-25.1

Source: Eurostat

### 10 AUGUST

Newly-adopted - Community state aid guidelines on risk capital: [http://ec.europa.eu/comm/competition/state\\_aid/overview/sar.html#3](http://ec.europa.eu/comm/competition/state_aid/overview/sar.html#3)

Cocoa and Chocolate: trade myths about tariff rates for developing countries: [http://trade.ec.europa.eu/doclib/docs/2006/august/tradoc\\_129598.pdf](http://trade.ec.europa.eu/doclib/docs/2006/august/tradoc_129598.pdf)

### 11 AUGUST

Additional measures taken against Avian Influenza: [http://ec.europa.eu/food/animal/diseases/controlmeasures/avian/ai\\_addmeasures\\_en.htm](http://ec.europa.eu/food/animal/diseases/controlmeasures/avian/ai_addmeasures_en.htm)

### 14 AUGUST

Budget: The page "A new Financial Framework for the enlarged Union (2007-2013)" has been updated: [http://ec.europa.eu/budget/prior\\_future/next\\_fin\\_framework\\_en.htm](http://ec.europa.eu/budget/prior_future/next_fin_framework_en.htm)





# Diary

Requirements for professional indemnity insurance imposed on intermediaries - Consultation:

[http://ec.europa.eu/internal\\_market/securities/isd/mifid\\_reports\\_en.htm](http://ec.europa.eu/internal_market/securities/isd/mifid_reports_en.htm)

Internal Market: Regional policy: ESPON 2013 - First draft programme presented:

[http://www.espon.eu/mmp/online/website/content/programme/1145/index\\_EN.html](http://www.espon.eu/mmp/online/website/content/programme/1145/index_EN.html)

## 16 AUGUST

Second opinion of EURAB on the European Commission's proposal for the European Institute of Technology:

<http://ec.europa.eu/research/press/2006/pr1408en.cfm>

## 17 AUGUST

Protecting EU financial interests – Early Warning System:

[http://ec.europa.eu/budget/sound\\_fin\\_mgt/ews\\_en.htm](http://ec.europa.eu/budget/sound_fin_mgt/ews_en.htm)

Ensuring Safe Shopping across the EU- European Contract Law: [http://ec.europa.eu/consumers/cons\\_int/safe\\_shop/fair\\_bus\\_pract/cont\\_law/common\\_frame\\_ref\\_en.htm](http://ec.europa.eu/consumers/cons_int/safe_shop/fair_bus_pract/cont_law/common_frame_ref_en.htm)

## 18 AUGUST

The scientific publication system: a key issue for EU Research Policy: [http://ec.europa.eu/research/science-society/page\\_en.cfm?id=3184](http://ec.europa.eu/research/science-society/page_en.cfm?id=3184)

## 21 AUGUST

Energy and Transport: Meeting of National Supervisory Authorities-representatives:

[http://ec.europa.eu/transport/air/single\\_sky/framework/national\\_authorities\\_en.htm](http://ec.europa.eu/transport/air/single_sky/framework/national_authorities_en.htm)

## 22 AUGUST

Oil bulletin - weekly prices,duties and taxes - updated to 31 July 2006:

[http://ec.europa.eu/energy/oil/bulletin/2006\\_en.htm](http://ec.europa.eu/energy/oil/bulletin/2006_en.htm)

## 23 AUGUST

Study concerning the links between Culture with Education: [http://ec.europa.eu/culture/eac/sources\\_info/studies/educult\\_en.html](http://ec.europa.eu/culture/eac/sources_info/studies/educult_en.html)

Wind energy - largest offshore wind turbine in the world is now in position in the North Sea:

[http://ec.europa.eu/energy/res/fp6\\_projects/wind\\_energy\\_en.htm](http://ec.europa.eu/energy/res/fp6_projects/wind_energy_en.htm)

## 24 AUGUST

Results of the public consultation of the review of the EU Biofuels Directive:

[http://ec.europa.eu/energy/res/legislation/biofuels\\_consultation\\_en.htm#results](http://ec.europa.eu/energy/res/legislation/biofuels_consultation_en.htm#results)

Commission survey shows European companies to increase R&D investment over next three years:

<http://ec.europa.eu/research/press/2006/pr2308en.cfm>

## 25 AUGUST

Commission calls on Member States to contribute to the European digital library:

[http://ec.europa.eu/information\\_society/newsroom/cf/itemlongdetail.cfm?item\\_id=2781](http://ec.europa.eu/information_society/newsroom/cf/itemlongdetail.cfm?item_id=2781)

Safety remains top priority for auto industry:

[http://ec.europa.eu/research/transport/news/article\\_4271\\_en.html](http://ec.europa.eu/research/transport/news/article_4271_en.html)

## 28 AUGUST

Guidelines for purchase of treatment abroad:

[http://ec.europa.eu/health/ph\\_overview/co\\_operation/mobility/high\\_level\\_documents\\_en.htm#1](http://ec.europa.eu/health/ph_overview/co_operation/mobility/high_level_documents_en.htm#1)

Commission Recommendation on digitisation and accessibility of cultural material and digital preservation:

[http://ec.europa.eu/information\\_society/newsroom/cf/itemlongdetail.cfm?item\\_id=2782](http://ec.europa.eu/information_society/newsroom/cf/itemlongdetail.cfm?item_id=2782)

## 29 AUGUST

Parliamentary support for sending European troops to Lebanon:

[http://www.europarl.europa.eu/news/expert/infopress\\_page/030-10173-241-08-35-903-20060829IPR10172-29-08-2006-2006-false/default\\_en.htm](http://www.europarl.europa.eu/news/expert/infopress_page/030-10173-241-08-35-903-20060829IPR10172-29-08-2006-2006-false/default_en.htm)

## 30 AUGUST

Two new LIFE Focus publications now available - "LIFE and European forests" and "LIFE in the City":

<http://ec.europa.eu/environment/life/infoproducts/publicationsgeneral.htm#lifefocus>

Problem with a product you bought in another European country? - European Consumer Centres Network:

[http://ec.europa.eu/consumers/redress/ecc\\_network/index\\_en.htm](http://ec.europa.eu/consumers/redress/ecc_network/index_en.htm)

Public Hearing on Cyprus in the European Single Market – "Concrete consequences of EU membership":

[http://eesc.europa.eu/activities/press/cp/docs/2006/cp\\_eesc\\_079\\_2006\\_en.doc](http://eesc.europa.eu/activities/press/cp/docs/2006/cp_eesc_079_2006_en.doc)

## 31 AUGUST

Research: Seventh Framework Programme nears fruition:

[http://ec.europa.eu/research/biosociety/news\\_events/news\\_seventh\\_framework\\_programme\\_fruition\\_en.htm](http://ec.europa.eu/research/biosociety/news_events/news_seventh_framework_programme_fruition_en.htm)



After holidays in August, the EU has again started all the sessions, negotiations, conferences and meetings of the leading EU bodies. The EU Council meeting on external relations and general affairs will discuss a solution to Iran's nuclear programme and the renewal of negotiations on world trade liberalisation in the WTO. An informal meeting of the Ministers of the Interior and Justice will discuss the progress in applying The Hague programme.

### Meeting of the key EU institutions

<b>1.-2.9.2006</b>	<b>Lappeenranta, Finland</b>
Informal ministerial meeting: Foreign Affairs (Gymnich)	
<b>8.-9.9.2006</b>	<b>Helsinki, Finland</b>
Informal ministerial meeting: Economic and Financial Affairs (Ecofin)	
<b>14.-15.9.2006</b>	<b>Brussels, Belgium</b>
General Affairs and External Relations Council (GAERC)	
<b>18.9.2006</b>	<b>Brussels, Belgium</b>
Agriculture and Fisheries Council	
<b>20.-22.9.2006</b>	<b>Tampere, Finland</b>
Informal ministerial meeting: Justice and Home Affairs	
<b>21.-22.9.2006</b>	<b>Rhodos, Greece</b>
Meeting of the Ministers of Industry: Barcelona Process	
<b>24.-26.9.2006</b>	<b>Brussels, Belgium</b>
Informal ministerial meeting: Agriculture	
<b>25.9.2006</b>	<b>Brussels, Belgium</b>
Competitiveness Council	

### Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
<a href="#">The Green Paper "Energy"</a>	DG TREN	24.9.2006
<a href="#">Vitamins and minerals in food supplements</a>	DG SANCO	30.9.2006
<a href="#">Review of the Life Sciences and Biotechnology Strategy 2002-2010</a>	DG RTD	30.9.2006
<a href="#">An excise tax on commercial road transport fuel</a>	DG TAXUD	30.9.2006
<a href="#">Promotion of Heating and Cooling from Renewable Energies</a>	DG TREN	6.10.2006
<a href="#">Current Accounts and Related Services</a>	DG COMP	9.10.2006
<a href="#">Public Consultation on Content Online in the Single Market</a>	DG INFSO	13.10.2006



## Main topic

The present issue of the Monthly Journal deals with a topic that is very sensitive in the European Union from a practical as well as a symbolic point of view. Long before our accession to the EU, the option to travel, study and work freely in other EU Member States was deemed one of the key advantages to be offered to our citizens.

## FREE MOVEMENT OF WORKERS WITHIN THE EU AND EQUAL TREATMENT PRINCIPLE

The present issue of the Monthly Journal deals with a topic that is very sensitive in the EU from a practical as well as a symbolic point of view. Long before our accession to the EU, the option to travel, study and work freely in other EU Member States was deemed one of the key advantages to be offered to our citizens. Initially, there was a sort of “wall” built by some EU-15 members against the EU-10. Gradually, this “wall” is being destroyed, as proved by Italy – formerly a strong supporter of protective measures against the citizens of the new Member States– at the end of July, when it fully opened and abolished any restrictions for entering its labour market.

This may be an opportunity for a comprehensive survey of the free movement of workers in the EU. In the previous EU News Monthly Journal, we introduced material related to this topic in a specific area – professional sport. We wanted to make our summer issue a sort of echo of the then finished World Championship in football, i.e. a sport where the mobility of top players across all European countries applies very directly. However, the sector of top football or professional sport in general affects only a few hundred or thousand persons undergoing extremely strict selection up to now. The EU labour market, however comprises more than 300 million EU citizens. Let us have a look at the arrangement of the market and related movement within the EU.

**Principle:** Every citizen of the EU has the right to work and live in another Member State without being discriminated against on the grounds of nationality or citizenship.

### What does the free movement of workers in the EU mean?

The free movement of workers is one of the fundamental freedoms guaranteed by Community law. It is perhaps the most important right within the European legislation for individuals (or is perceived as such) and is an essential element of European citizenship.

For workers, this freedom has existed since the foundation of the European Community in 1957. It is based on Article 39 of the EC Treaty and it regulates:

- the right to seek a job in another Member State,
- the right to work in another Member State,
- the right to reside there for the purpose of work activities,
- the right to remain there because of work,

- the right to equal treatment in respect of access to employment, working conditions and all other advantages which could help to facilitate the worker’s integration in the host Member State.

The concept and implications of this freedom have been interpreted and developed in the jurisprudence of the European Court of Justice, including the concept of a worker itself. Detailed information on the jurisprudence of the free movement of persons is available in the communication from the Commission: “Free movement of workers – achieving the full benefits and potential”:

[http://ec.europa.eu/employment\\_social/free\\_movement/docs\\_en.htm](http://ec.europa.eu/employment_social/free_movement/docs_en.htm).

Community rules on the free movement of workers also apply to Member States of the European Economic Area (Iceland, Liechtenstein and Norway).

The right to the free movement of workers is complemented by a system for the **coordination of social security schemes**:

[http://ec.europa.eu/employment\\_social/social\\_security\\_schemes/index\\_en.htm](http://ec.europa.eu/employment_social/social_security_schemes/index_en.htm) and by a system ensuring the **mutual recognition of diplomas**:

[http://ec.europa.eu/internal\\_market/qualifications/index\\_en.htm](http://ec.europa.eu/internal_market/qualifications/index_en.htm).

### Who is covered by Article 39 EC?

Article 39 applies to **migrant workers**, i.e. nationals of one Member State who leave their country of origin and go to work in another Member State. It does not apply to persons who have never left their country of origin, but it covers nationals of a Member State when returning to that Member State after having exercised their right to free movement.

It applies to workers and not to self-employed persons, students, retired or non-active persons. These persons are covered by other provisions of Community law. For more information, see:

[http://ec.europa.eu/internal\\_market/services/index\\_en.htm](http://ec.europa.eu/internal_market/services/index_en.htm);

or

[http://ec.europa.eu/justice\\_home/fsj/citizenship/movement/fsj\\_citizenship\\_movement\\_en.htm](http://ec.europa.eu/justice_home/fsj/citizenship/movement/fsj_citizenship_movement_en.htm).

The European Court of Justice has interpreted the concept of worker as covering a person who:

- undertakes genuine and effective work;
- under the direction of someone else;





- for which he/she is paid.

Following the jurisdiction of the European Court of Justice, Article 39 also applies to professional athletes (see the EU News Monthly Journal – August 2006, and below).

#### How does the legislation apply to family members?

Certain rights are extended to the family members of the worker. They have, in particular, the right to live with the worker in the host Member State and the right to equal treatment as regards, for example education and social advantages. Some members of the family also have the right to work in the host Member State. This topic will be developed further below.

#### Limitations to the exercise of this right

Limitations to the exercise of this right apply in several cases. These are, for example limitations as to employment in public security services, public policies and public health systems.

#### Application of the free movement of workers to the new Member States as of 1 May

It has already become well known that following the recent enlargement of the EU, there is a transitional period of a maximum of seven years, during which Community law relating to the free movement of workers will not yet apply fully in 8 of the States which recently joined the EU. Consequently, during the transitional period, workers from these 8 States may face certain restrictions (but never prohibitions!!!) on access to the labour markets of the EU-15. Workers from the EU-15 may, on the other hand, face reciprocal restrictions (applied only in a few possible situations) in some of the new Member States. This topic is also developed below in more detail.

#### The right to seek a job in another Member State

Any national of a Member State has the right to seek a job in another Member State. He/she will receive from the national employment offices the same assistance as nationals of the host Member State.

According to the European Court of Justice, the jobseeker may stay in the host Member State for a period “sufficient to enable him/her to appraise himself/herself of offers of employment and to take the necessary steps to be hired”. After expiry of this period, he/she cannot be expelled if he/she proves that he is continuing to seek employment and that he/she has a genuine chance of being hired.

Useful information on job opportunities and living and working conditions in other Member States or in the European Economic Area are, for instance, available at the European Employment Services (EURES) websites – <http://ec.europa.eu/eures/home.jsp?lang=en>.

#### The right of residence

The right of residence goes hand in hand with the right to work in another Member State.

It is based on the Directive on residence rights for EU citizens (Directive No. 2004/38/ES); migrant workers will no longer need to obtain a residence permit in the Member State of employment: simple registration will suffice, and even this will only be required if it is deemed necessary by the host Member State.

The formalities that workers must complete depend on the length of employment:

- if it is expected to last less than three months, no residence formalities are required. However, the national authorities may request that the worker reports his/her presence in their territory;
- if the employment is expected to last more than three months, the host Member State may require that the worker registers with the **competent** national authority. The deadline for registration may not be less than three months from the date of arrival.

In this case, a **registration certificate** should be issued immediately upon the presentation of a valid identity card or passport and a confirmation of employment from the employer or a certificate of employment. No other documents (tax returns, bills and contracts for electricity etc.) may be required for this purpose.

If the worker fails to comply with these formalities, he/she could be liable to proportionate and non-discriminatory sanctions.

It is important to note that the worker can start working before being registered.

#### The right of permanent residence

If the worker has resided for a continuous period of five years in the host Member State, he/she will acquire the right of permanent residence in that country. Upon request, the national authorities should issue a document certifying permanent residence.

After the acceptance of the right of permanent residence, the right may be lost only if the worker leaves the country for a period of more than two consecutive years.



# Main topic

In some specific circumstances, the worker can acquire permanent residence status earlier:

- if the worker has stopped working because he/she has reached retirement age (or has taken early retirement) provided he/she had been working in the host Member State for at least the preceding 12 months and had resided there continuously for more than 3 years;
- if the worker has stopped working as a result of permanent incapacity to work provided he/she had resided in the host Member State for more than two years. If this incapacity is the result of an accident at work or an occupational disease, no condition on length of residence applies;
- if, after three years of continuous employment and residence in the host Member State the worker works in another Member State, while retaining his/her residence in the host Member State to which he/she returns as a rule every day or at least once a week.

## Equal treatment principle

### Access to employment

Any EU citizen has the right to take up an activity in another Member State under the same conditions as apply to the nationals of the relevant Member State. No work permit may be required (with the exceptions described below – see the new Member States).

The recruitment of Community nationals may not be restricted in number or percentage nor depend on criteria, which are discriminatory in comparison with those applied to nationals. Obviously, an exception applies to linguistic knowledge: a certain language level may be required for a job, provided that it is reasonable and necessary for the job in question. While employers (whether private or public) can require a job applicant to have a certain level of linguistic ability, they cannot demand only a specific qualification as proof for acceptance. Also, the Commission’s position is that employers may not subject the recruitment of candidates to a mother tongue requirement.

As has been mentioned, for some of the Member States that joined the EU on 1 May 2004, the application of equal treatment is subject to a transitional period.

### Working conditions

An EU national working in another Member State must be treated in exactly the same way as his/her colleagues who

are nationals of that Member State as regards working conditions (for example, pay and remuneration level, dismissal, assignment to another job etc.). He/she will also benefit from equal treatment in access to professional training and education.

### Social and tax advantages

A migrant worker has the right to the same social and tax advantages as national workers. Social advantages have been defined by the European Court of Justice. They cover all the advantages, which are generally granted to national workers primarily because of their objective status as workers or by virtue of the mere fact of their residence in the national territory and its extension to workers who are nationals of other Member States seems likely to facilitate the mobility of such workers and the integration of the host Member State (for instance, public transport fare reductions for large families, child raising allowances, minimum subsistence payments etc.).



## Family members

Regardless of their nationality, the following family members have the right to reside with the worker in the host Member State:

- his/her spouse;
- a partner with whom the worker has contracted a registered partnership in a Member State, but only if the legislation of the host Member State treats registered partnerships as equivalent to marriage and in accordance with the conditions laid down by the host Member State;
- the descendants of the worker and those of his/her spouse or registered partner who are under the age of 21 or are dependants;

- his/her dependant relatives in an ascending line and those of his/her spouse or registered partner.

Member States must also facilitate the entry and residence of:

- other family members who are dependants or members of his/her household or who require his/her personal care due to serious health reasons;
- the partner with whom he/she has a long or lasting relationship.

If the family members are EU citizens, they may be required to register with the competent authority, in which case they will be issued with a registration certificate.

If the family members are third-country nationals, they will be issued a residence card, valid for five years or for the expected period of residence of the worker if this period is less than five years. An entry visa may also be required to enter the territory of the host Member State.

Only the following documents may be required for issuing the registration certificate or the residence card:

- a valid identity card or passport; if the family members are third-country nationals, they must produce a valid passport;
- proof of the family relationship or of the registered partnership;
- the registration certificate of the worker or, in the absence of a registration system, any other proof of residence in the host Member State;
- in the case of dependant relatives, other family members or lasting partnerships, proof that they fall into these categories.

Family members also qualify for the right to permanent residence after a continuous period of residence of five years in the host Member State. If they are EU nationals, they will obtain a document certifying permanent residence. If they are third-country nationals, they will obtain a permanent residence card, renewable every ten years.

They may retain, under certain specific conditions, the right of residence in case of divorce, annulment of the marriage, termination of the registered partnership, death or departure of the worker.

Members of a family who have the right of residence in the host Member State have the right to work in the host Member State regardless of their nationality. If they are third-country nationals, this means that no work permit will be required. They have the right to equal treatment, including the granting of social advantages.

The children of the worker, whatever their nationality, have the right to education in the host Member State on the same terms as its nationals. This includes, for instance, the right to equal treatment in relation to study grants.

### Sport

As discussed in detail in the last EU News Monthly Journal, the application of the Community rules on free movement of workers to sport is not regulated in any specific Community legal provisions, but there is important and rich jurisprudence of the European Court of Justice in this field (see the EU News Monthly Journal, August 2006) and other additional standards and instruments.

### Employment in the public sector

According to Article 39(4) of the EC Treaty, the free movement of workers does not apply to employment in the public sector. This means that access to public service may be restricted only to nationals of the host Member State.

However, this limit and regulation has been interpreted in a very restrictive manner by the European Court of Justice and therefore, only those posts in which the exercise of public authority and the responsibility for safeguarding the general interest of the state is involved may be restricted to their own nationals. These criteria must be evaluated case-by-case in view of the nature of the tasks and responsibilities covered by the specific post.

Recruitment competitions must therefore be open to EU citizens unless the posts accessible via that competition fulfil the criteria mentioned above.

Equally, an EU citizen may not be treated differently from nationals as regards other aspects of access to the public sector and to the working conditions, once he/she has been accepted into the public sector.

One of the specific problems that migrant workers often face when acceding to the public sector is the recognition of their professional experience acquired in another Member State. As defined by the European Court of Justice, previous periods of comparable professional experience in another Member State must be taken into account for the purposes of access to the public service and for determining professional advantages such as remuneration or grade etc. in the same manner and practice as applies to professional experience acquired in the system of the host Member State.





# Main topic

For more detailed information on employment in the public sector, see the already mentioned Communication from the Commission:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52002DC0694:CS:NOT>.

## EU Enlargement: Transitional provisions

### General provisions

Access by workers from the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia and Slovakia (hereinafter the EU-8) to the labour market of the EU-15 Member States is subject to the transitional arrangements set out in their Accession Treaty to the European Union.

For the first two years following the accession (1 May 2004 – 30 April 2006), such access depended on the national law and policy of the EU-15 Member States. In practical terms, this means that a worker from one of the new EU-8 Member States generally needs a **work permit** (differentiated; the differentiation criteria are described below) to work in the EU-15 Member States. It does not, however imply that it is forbidden to work in the EU-15 (as often misstated by some media).

National measures may be extended for a further period of three years (1 May 2006 – 30 April 2009). Afterwards, an EU-15 Member State can be authorized to continue to apply national measures for a further two years, but only if it experiences serious disturbances in its labour market.

The transitional arrangements cannot extend the absolute maximum period of seven years. They will, therefore irrevocably end in April 2011.

On the other hand, workers from the EU-8 must be given priority over workers from third countries. Once a worker has obtained access to the labour market in the EU-15, he/she benefits from equal treatment. The EU-8 may impose equivalent restrictions on workers from the EU-15 Member State that itself imposes restrictions. The Treaty of Accession of Cyprus contains no restrictions on the free movement of workers. With regard to Malta, there is only the possibility of invoking (applying) a safeguard clause. More detailed information can be found in the guide titled “Free movement of workers to and from the new Member States – how does it work in practice?” –

[http://ec.europa.eu/employment\\_social/free\\_movement/docs/pr\\_cs.pdf](http://ec.europa.eu/employment_social/free_movement/docs/pr_cs.pdf);  
[http://ec.europa.eu/employment\\_social/free\\_movement/docs/pr\\_en.pdf](http://ec.europa.eu/employment_social/free_movement/docs/pr_en.pdf).

### First phase

The first phase of the transitional arrangements started on 1 May 2004 and ended on 30 April 2006.

During the first phase, three EU-15 Member States (**Ireland, Sweden and the United Kingdom**) liberalised access to their labour markets under their respective national law. The United Kingdom, however adopted a mandatory worker's registration scheme. Under this scheme workers from the EU-8 Member States must register with the UK Home Office within 30 days of starting their employment in the United Kingdom. The remaining EU-15 Member States maintained their work permit systems, albeit with some modifications, sometimes combined with a quota system.

For instance, **Denmark** issued work permits to EU-8 workers on condition that their work was full-time and governed by a collective labour agreement or complied with normal standards for the sector/profession. Work permits were issued without prior examination of the labour market situation, but the applicants needed to possess a residence permit before starting employment.

**The Netherlands** adopted a two-tier procedure. A traditional full work-permit system (including a labour market test) applied for most sectors, but a number of sectors and occupations were temporarily exempted from this labour market test. When the exemption applies, a work permit could be granted within two weeks. The list of exemptions was reviewed by the government on a three-month basis.

**France** decided to maintain a traditional work permit system with some exceptions; for example, work in the research sector.

**Belgium, Finland, Greece, Luxembourg and Portugal** also maintained a work permit requirement.

A work permit system with some modifications applies in **Germany and Austria** as well. These two countries also applied restrictions on posting workers in certain sensitive sectors.

**Italy** combined a work permit system with a special entry quota for workers from the EU-8 Member States. Legislation in **Portugal** also provided for a quota system.

Three EU-8 Member States (**Poland, Slovenia and Hungary**) applied reciprocity to EU-15 Member States applying restrictions.

None of the EU-8 Member States applied restrictions to access by workers from the other EU-8 Member States.

**Malta** made use of the provisions in the Accession Treaty, which allowed for the issuance of work permits automatically and for monitoring purposes.



## Second phase

As required by the Accession Treaty, the Commission drafted a report on the first phase of the transitional arrangements. This was submitted to the EU Council on 8 February 2006.

Following the Council's review of the Commission's report, the EU-15 Member States had to notify the Commission by 30 April 2006 as to their intentions for the next phase (1 May 2006 – 30 April 2006).

The situation for the second phase is as follows. Seven of the EU-15 Member States **have opened their labour markets completely** (in addition to those countries which opened their labour markets during the first phase - the United Kingdom, Sweden and Ireland – they are Spain, Finland, Greece and Portugal). The eighth country to open its labour market was Italy, at the end of July. The United Kingdom continues its mandatory registration scheme, Finland is applying a registration and monitoring scheme.

Several EU-15 Member States have announced simplifications of their existing national access and regimes to varying degrees. The Member States concerned are, for instance Belgium, France, Luxembourg and the Netherlands. Denmark has also notified the Commission that it would maintain restrictions during the second stage, but that it would also simplify its procedures. The Royal Decree adopted in Belgium provides that the restrictions may be abolished before the formal end of the first phase if certain conditions are met.

In the case of the Netherlands, for the period of 1 May 2006 – 31 December 2007, access to certain sectors and professions will be facilitated (work permit without a labour market test) permanently. The Dutch Parliament will review the transitional arrangements again in November 2006, following which complete liberalisation could apply to access to the Dutch labour market as of 1 January 2007.

Germany and Austria have notified the Commission that they will maintain national measures for the second phase, including in relation to the cross-border provision of services.

Finally, Hungary and Poland have indicated that they will apply reciprocal measures. As for Slovenia, it has decided not to apply the reciprocity principle any longer.

None of the EU-8 Member States have yet applied any restrictive arrangements in relation to any other EU-8 Member State.

## ***The main legislation applicable to the free movement of workers***

- Council Directive 64/221/EEC of 25 February 1964 on the co-ordination of special measures concerning the movement and residence of foreign nationals which are justified on grounds of public policy, public security or public health (OJ No 56, 4.4.1964)
- Regulation (EEC) No 1612/68 of the Council of 15 October 1968 on freedom of movement for workers within the Community (OJ No L 257, 19.10.1968)
- Council Directive of 15 October 1968 on the abolition of restrictions on movement and residence within the Community for workers of Member States and their families (OJ No L 257, 19.10.1968)
- Regulation (EEC) No 1251/70 of the Commission of 29 June 1970 on the right of workers to remain in the territory of a Member State after having been employed in that State (OJ No L 142, 30.6.1970);
- Directive 2004/38/EC of the European Parliament and of the Council of 29 April 2004 on the right of citizens of the Union and their family members to move and reside freely within the territory of the Member States (OJ No L 158, 30.4.2004)
- Council Directive 98/49/EC of 29 June 1998 on safeguarding the supplementary pension rights of employed and self-employed persons moving within the Community (OJ No L 209, 25.7.1998).



# Country focus

The last issue focused on Cyprus; therefore it is obvious now to focus on the other Mediterranean island that also joined the EU recently, and ranks among the smallest Member States. The population of Malta is by far the lowest in the European Union as a whole.

## MALTA

Government type/chief of state	republic / president Edward Fenech Adami
Area (share of EU)	316 km2 (0.008%)
Population (share of EU)	402 700 (0,1 %)
Age structure	0-14 years: 17.6%, 15-64 years: 69.0%, over 65 years: 13.4%
Total GDP (share of EU)	4.5 EUR bn (0.04%)
GDP per capita in PPS	69.2% of EU-25 average
GDP - composition by sector	agriculture: 2.4%, industry and constr.: 23.4%, services: 74.1%
Average inflation	2.5%
Average unemployment	7.4%
GDP growth	2.4%
General govern. balance	-3.3% of GDP
General government debt	77.7% of GDP
Number of NUTS2	1 NUTS2, Malta 69.2%

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

Malta and Cyprus, new Mediterranean Member States since 2004 have many similarities as well as differences. There are not as many oddities in Malta compared to Cyprus, such as a divided state. Malta drew attention in the '90s, for example because it froze negotiations on its accession to the EU for a certain brief period.

Otherwise, some Cypriot characteristics also apply rather well to Malta, especially the dependence of its economy on tourism, or the fact that it won independence in early '60s following a period of British colonial rule.

Not surprisingly, there is also a certain analogy in the development of the Maltese economy. Several centuries ago, the economy in Malta flourished significantly due to its strategic position in the Mediterranean. The post-war development made the country more dependent on foreign trade; Malta is strongly dependent on the import of energy sources as well as drinking water, agricultural commodities and food. Its export includes services, with tourism in the leading position. The typical sectors of its processing industry are the electronic, pharmaceutical and textile industries. Structural changes orientated toward qualified and efficient labour in the processing industry started in the early '80s, and massive investments into the tourist infrastructure became a reality in the late '80s. From the beginning of the '80s, structural changes included certain liberalisation attempts in foreign trade and financial markets; the economy in Malta still belongs to the rather regulated economies with a high level of state and public support.

Since the same period Malta has become the target of approximately 250 rather important direct foreign investors with production focused primarily on export. Structural measures also resulted in a share of tourism in the GDP as high as nearly 40%; even though Malta is a very small country, it has approximately 1.5 million foreign tourists a year.

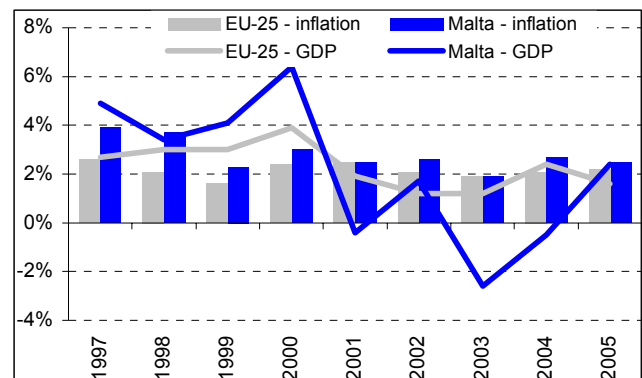


Within the process of true economic convergence towards the EU, Malta took a big step in the '90s with a high pace of economic growth. This was accelerated by the already mentioned clear export and investments into fixed capital, but the demand was massively stimulated by considerable public budget expenses, which brought a higher deficit than may be tolerated and accepted. Dynamic economic growth in the '90s, however did not continue for the whole decade; on the contrary, the economy in Malta also showed a divergence tendency – its GDP per capita was 78% of the average in the current EU-25 in 2000, while it was only 69% in 2004, which put Malta even behind the Czech Republic.

Inflation and unemployment are not deemed crucial problems for the economy in Malta and have been kept relatively low and under control. The rate of inflation has been 1.5% to 3%, the rate of unemployment was 4.9% to 5.6% in this decade. In addition, the indicators of fiscal discipline have not developed very well in the same period – the deficit fell below 4% of the GDP in 2005, but in previous years it was more than twice that; the public debt is slightly more than 75% of the GDP.

Despite its not amazingly great economic development in recent years, the story of Malta, crowned by its accession to the EU and soon to the euro zone, is successful from the long-term perspective.

## 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	V-06	VI-06	VII-06	V-06	VI-06	VII-06
Belgium	0.9	2.6	1.2	4.5	3.5	2.2	8.6	8.6	8.7	2.8	2.5	2.4
<b>CR</b>	<b>3.2</b>	<b>4.7</b>	<b>6.0</b>	<b>-6.3</b>	<b>-6.0</b>	<b>-2.3</b>	<b>7.4</b>	<b>7.3</b>	<b>7.2</b>	<b>2.8</b>	<b>2.3</b>	<b>2.4</b>
Denmark	0.7	1.9	3.1	3.2	2.3	2.9	3.9	3.9	n/a	2.1	2.1	2.0
Estonia	6.7	7.8	9.8	-11.9	-12.7	-10.6	5.1	5.0	4.2	4.6	4.4	4.5
Finland	2.4	3.6	2.1	3.8	4.1	2.4	7.7	7.7	7.7	1.7	1.5	1.4
France	0.8	2.3	1.4	0.2	-0.7	-1.2	9.1	9.0	8.9	2.4	2.2	2.2
Ireland	4.4	4.5	4.7	0.0	-0.8	-1.9	4.3	4.4	4.4	3.0	2.9	2.9
Italy	0.0	1.1	0.0	-0.9	-0.5	-1.1	n/a	n/a	n/a	2.3	2.4	2.3
Cyprus	1.9	3.9	3.8	-0.9	-5.3	-5.7	5.6	5.6	5.6	2.5	2.6	2.8
Lithuania	10.5	7.0	7.5	-6.8	-7.9	-7.0	5.4	5.3	5.5	3.6	3.7	4.4
Latvia	7.2	8.5	9.1	-8.1	-12.9	-12.4	7.4	7.3	7.5	7.1	6.3	6.9
Luxembourg	2.0	4.2	4.2	6.4	10.5	8.4	4.7	4.7	4.8	3.6	3.9	3.4
Hungary	3.4	4.6	4.1	-8.6	-8.4	-7.4	7.3	7.3	7.6	2.9	2.9	3.2
Malta	-2.5	-1.5	2.5	-5.8	-9.6	-12.9	7.4	7.5	7.3	3.5	3.3	3.6
Germany	-0.2	1.6	0.9	2.1	3.7	3.9	8.3	8.1	8.2	2.1	2.0	2.1
Netherlands	-0.1	1.7	1.1	5.9	6.2	7.1	3.9	3.9	3.9	1.8	1.8	1.8
Poland	3.8	5.3	3.2	-2.1	-4.2	-1.5	15.6	15.3	15.0	1.5	1.5	1.4
Portugal	-1.1	1.1	0.3	-6.5	-7.8	-9.5	7.4	7.3	7.2	2.9	2.8	2.2
Austria	1.4	2.4	1.9	1.5	2.7	2.9	5.0	4.9	4.9	2.1	1.9	2.0
Greece	4.8	4.7	3.6	-10.0	-9.5	-9.2	n/a	n/a	n/a	3.3	3.4	3.9
Slovakia	4.5	5.5	6.0	-0.5	-3.4	-8.5	14.4	14.3	14.0	4.8	4.5	5.0
Slovenia	2.7	4.2	3.9	-0.3	-2.0	-1.1	6.5	6.4	6.3	3.4	3.0	1.9
Spain	3.0	3.1	3.4	-4.1	-5.8	-7.4	8.3	8.2	7.6	4.1	4.0	4.0
Sweden	1.7	3.7	2.7	6.6	6.6	5.9	n/a	n/a	n/a	1.9	1.9	1.8
UK	2.5	3.1	1.8	-1.4	-2.0	-2.6	5.4	n/a	n/a	2.2	2.5	2.4
<b>EU-25</b>	<b>1.2</b>	<b>2.4</b>	<b>1.6</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.3</b>	<b>8.1</b>	<b>8.0</b>	<b>8.0</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>

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	2003	2004	2005	2003	2004	2005
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
<b>CR</b>	<b>-6.6</b>	<b>-2.9</b>	<b>-2.6</b>	<b>30.0</b>	<b>30.6</b>	<b>30.5</b>	<b>67.8</b>	<b>70.2</b>	<b>73.1</b>	<b>54.7</b>	<b>55.5</b>	<b>55.0</b>
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
<b>EU-25</b>	<b>-3.0</b>	<b>-2.6</b>	<b>-2.3</b>	<b>63.1</b>	<b>62.4</b>	<b>63.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Eurostat, <sup>\*)</sup> net balance, GDP per capita according to PPP

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