

EU News Monthly Journal

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EU Assistance Programmes for

SMEs except Structural Funds





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under the auspices of Pavel Kysilka Chief Economist and member of the Board of Česká spořitelna Dear readers,

The month of October is usually more interesting than other months with respect to the events in the European integration process and its institutions. And October 2004 was not any different in this respect; it confirmed this reputation and perhaps even surpassed all expectations.

October of this year was a month of fairly important "premieres" in the European integration process. From the point of view of the mass media, the most accented premiere was, of course, the approval and establishment procedure concerning the composition of the newly formed European Commission. In spite of the fact that the current procedure for approval of the composition of the Commission by the European Parliament does not have a long tradition (it has been in use since 1995) and in spite of the fact that this short tradition also includes the not-quitestandard way of replacing the Santer Commission with Prodi's executive, Buttiglione's rejection by several committees of the Parliament is very piquant news. Previously, the expressions of disapproval of the Euro MPs with the composition of the Commission had still been addressed before the parliamentary hearing of the candidates and not after the hearings. In addition to that, the candidate nominated by the Italian government was not the only problematic aspect of the formation of the new Commission, and therefore Barroso, the designated chief of the Commission, proceeded to take another first-time step when he requested postponement of the Parliament's approval procedure until the risk aspects of the Commission's composition are eliminated.

Certain progress has also been made in the process of approving the Treaty on Constitution for Europe and since it is the first Constitution of this type, it is also a premiere. However, there will yet be many premieres on the road from combining the currently valid treaties into a single Constitution Treaty to its final ratification.

The Czech Republic, as a full-fledged novice in the EU, has also experienced two premieres in the economic field. For the first time, the Czech Republic was evaluated in the Convergence Report of the European Central Bank as a member of the EU and, at the same time, our economic development and its prospect was, for the first time, included in the traditional report on the development of the economy in the current year and on the projection thereof for the next two years, prepared by the European Commission's Directorate General for Economic and Financial Affairs. From our point of view, our critical fiscal development (which is also commented on in another part of this Monthly Magazine) is the common denominator of both analytical reports. The view of the Commission is a bit more optimistic because the Commission believes that the Czech "fiscal consolidation should be easier due to revival and acceleration of economic growth". The October projections are also new this time thanks to the new composition of the group of the candidate countries; the previous 10 + 2 + 1 group was succeeded by the group of 3 (Bulgaria, Romania and Croatia) + 1 (Turkey has remained in this position).

Considering that October has 31 days, the number of fairly fundamental new developments in the European integration process was arguably quite high.

We wish you pleasant reflections on the present times of our European integration and enjoyable reading of this latest issue of the EU Developments Monthly Magazine of Česká spořitelna and we invite you to visit our website www.csas.cz/eu.

Petr Zahradník

THE



The dispute in the European Parliament over the future composition of the Commission, which eventually resulted in postponement of the appointment of the new European Commissioners to their positions, came as a shock to all supporters of the EU. As expected, the report of the European Commission and ECB confirmed that none of the new member states was ready to introduce the single Euro currency. The regular autumn macroeconomic outlook made by EC is not very optimistic.

POLITICS

Voting on the New Commission Postponed

Literally at the eleventh hour, Jose Manuel Barroso, the designated chairman of the new Commission, withdrew the voting on his team from the agenda of the European Parliament and requested postponement.

"I arrived at the conclusion that if voting took place today, the result would not be favourable for the European institutions and the European project. Given these circumstances, I decided to refrain from presenting the new Commission for approval today," Barroso declared on 27 October.

The reason was the insufficient support from the Euro MPs and the concern that the European Commission would not have been approved in the proposed composition. The most opposing critics included the second strongest club of Socialists, who expressed their resolute disapproval with Rocco Buttiglione, the nominated Italian Commissioner, who was to become responsible for justice, freedom and security. He had developed a bad reputation among the MPs due to his controversial opinions on homosexuals and the role of women in society.

The mandate of the existing Commission expired on 31 October, nevertheless, Prodi's team will remain in their offices until the new European executive is approved.

According to the latest information, the "restructuring" of the nominated European Commission will affect fewer people than originally expected. In the place of Rocco Buttiglione, Franco Frattini, the current Minister of Foreign Affairs, was nominated by the Italian government. Another change is the departure of Ingrid Udre, the Latvian candidate for the area of taxes and customs union. She should be succeeded by Andris Piebalgs, who will become the head of the energy sector. The tax portfolio will be taken over by the former chief of Hungarian diplomacy, László Kovács.

Both newly nominated Commissioners must yet undergo the hearing in the European Parliament. If no additional changes are made in the proposed composition, it is highly probable that the new Commission will appear before the European Parliament with a request for a vote of confidence as early as in mid-November.

http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+PRESS+DN-20041027-1+0+DOC+XML+V0//EN&L=EN&LEVEL=2&NAV=X&LSTD OC=N#SECTION1

Constitution Treaty Was Signed

The chief executives of the EU member states signed the Treaty on Constitution for Europe in Rome. The Constitution

Treaty, which contains the existing EU Treaty, was signed in the same place as the Roman Treaty, which led to establishment of the European Community in 1957. However, there is the difference that the "Constitution" was signed by the representatives of 28 countries (25 members + the candidate countries: Bulgaria, Romania and Turkey). Stanislav Gross, the Prime Minister, and Cyril Svoboda, the Minister of Foreign Affairs, participated in the ceremonial act on behalf of the Czech Republic.

The member states now have two years to ratify the treaty. Due to the growing number of countries, which are in favour of ratification in the form of a general referendum, the result of the ratification process is uncertain.

There is also no uniform scenario on what action would be taken if any member state did not ratify the Constitution Treaty. In principle, one of these possible alternatives could occur:

- a second referendum would take place in the member state concerned;
- the Constitution Treaty would only apply to the countries where it was ratified;
- the Constitution Treaty would be revised.

According to a recent study of the Centre for European Reform, it is probable that the Constitution Treaty will not be approved in Denmark and the United Kingdom. The result is said to be uncertain in Poland and the Czech Republic as well, if the ratification were to take on the form of a referendum.

It is probable that the approval will take on the form of a referendum in the Czech Republic. The government would prefer to organise the referendum in June 2006 simultaneously with the elections to the House of Deputies; the opposition would like to see a separate date for the referendum.

The Constitution Treaty is yet to be approved by the European Parliament, which should do so on 15 December 2004.

http://europa.eu.int/constitution/index en.htm

ECONOMY AND EURO

New Members Are Not Ready for Euro Yet

None of the new EU member states, that is, not even the Czech Republic, have qualified for introduction of the Euro. Sweden also has not met all the criteria for full introduction of this currency. This follows from the regular bi-annual convergence report, which was published in mid-October. The publication of convergence reports is provided for by the Treaty Establishing the European Community. Among other things, this Treaty requires the Commission and the



European Central Bank to prepare an assessment of the convergence efforts of those EU countries that have not yet introduced the Euro.

The ten new member states and Sweden do not belong to the Euro Zone. These eleven countries have the position of "member states with an exception", which means that their introduction of the Euro is considered to be just a question of time; it is basically mandatory after all the criteria are met. On the contrary, non-participation of the United Kingdom and Denmark in the Euro Zone is based on their special regime.

The Czech Republic has met two of the required five criteria, specifically the inflation rate is below the reference level and the long-term interest rate is below the reference level. However, its fiscal deficit has significantly exceeded the required level of 3% of GDP; its legislation does not meet the requirements for inclusion of the Czech National Bank into the European system of central banks and the Czech Crown is not integrated into the exchange rate mechanism ERM II.

For example, Slovakia only meets one criterion, specifically the long-term interest rate. Hungary and Poland do not meet any of the criteria. On the other hand, Lithuania meets three criteria and is the most successful one of the new member states in this respect. This country, along with Slovenia and Estonia, has come most close to the accession to the EMU because their currencies have become a part of the ERM II starting from this year; however, they must remain in this system for at least two years without excessive fluctuations and devaluations.

http://www.ecb.int/pub/pdf/conrep/cr2004en.pdf http://europa.eu.int/rapid/pressReleasesAction.do?reference =IP/04/1251

Compatibility of legislation and fulfilment of convergence criteria

convergence oritena									
	Legal compatibility	Price stability			Long-term interest rates convergence				
CR	no	yes	no	no	yes				
Estonia	no	yes	yes	no					
Cyprus	no	yes	no	no	yes				
Latvia	no	no	yes	no	yes				
Lithuania	no	yes	yes	no	yes				
Hungary	no	no	no	no	no				
Malta	no	no	no	no	yes				
Poland	no	no	no	no	no				
Slovakia	no	no	yes	no	yes				
Slovenia	no	no	no	no	yes				
Sweden	no	yes	yes	no	yes				

Source: European Commission

The EU's Economy Will Be Driven by the New Member States

The economic growth of the European Union will slow down from this year's forecast of 2.5% to the expected 2.3% in the next year. The reason is the unprecedently high global price of oil and strong Euro. An even lower growth is expected in the Euro Zone countries (2.1% this year and 2.0% the next year); thus, the Union's economy will be mainly driven by the new members. This follows from the regular semi-annual prognosis of the European Commission.

Main features of the Autumn 2004 forecast - EU-25

	2003	2004	2005	2006
GDP 1)	1.0	2.5	2.3	2.4
Consumption 1)	1.5	2.0	2.0	2.2
Total investment 1)	0.0	3.2	3.8	4.0
Unemployment rate	9.1	9.1	9.1	8.8
Inflation	1.9	2.2	2.1	1.9
Government balance 2	-2.8	-2.8	-2.4	-2.3
Government debt 2)	63.2	63.5	63.5	63.3

Note: All figures in %, 1) year-on-year growth, 2) as % of GDP

As a result of the weaker growth, the Commission believes that it can be expected that the fiscal deficits of five Euro Zone countries, headed by Germany and France, will reach the key level of three percent of GDP or will exceed this level.

The weak growth in the Euro Zone countries, whose economies are characterised by a growth rate of around two percent, except for a few smaller countries, contrasts with the performance of the new EU member states. There, the expansion will be ranging from the lowest growth rate of 3.8% in the Czech Republic to more than seven percent in Lithuania and Latvia. The Commission expects that thanks to their fast growth, the new members will be able to reduce their fiscal deficits down towards 3% of GDP, which is one of the conditions of introduction of the Euro, more quickly.

As concerns unemployment in the EU, the Commission expects that an improvement will not occur until 2006 when the total unemployment rate will decrease to 8.8% from this year's 9.1%. The inflation rate will drop below two percent from this year's 2.2% in two years' time.

The prognosis sounds favourable for the Czech Republic. For this year, the Commission expects a 3.8% increase in GDP, the same increase in 2005 and improvement to a 4.0% increase in 2006. The main driving force will continue to consist of investments and external demand; however, domestic consumption will also remain robust.

The Commission expects that the fiscal deficit of the Czech Republic will reach 4.8% of GDP this year and that the public debt will be maintained at the level of 37.8% of GDP.



After a futile period of persuasion, the European Commission eventually filed an action against Germany with the European Court of Justice because of the discriminatory Act on Volkswagen. Before the planned cancellation of import quotas for textiles, which is due to take place at the beginning of January, the Commission prepared a seven-point plan of assistance to the European textile and clothing industry.

According to the prognosis, the unemployment rate will amount to 8.3% this year and will be very slowly decreasing in the next two years.

http://europa.eu.int/rapid/pressReleasesAction.do?reference =IP/04/1297

TAXATION AND CUSTOMS UNION

Verheugen: Sarkozy's Tax Proposals Are Unrealistic

Günter Verheugen, who will probably be the future Commissioner for competitiveness, expressed his disagreement with the appeals of Nicolas Sarkozy, the French Minister for Finance, concerning introduction of a minimal corporate income tax rate in the European Union for the purpose of preventing relocation of production facilities to the new member states.

In his hearing before the European Parliament, Verheugen stated that tax competition could be useful and argued that low taxes of the new members might not necessarily lead to relocation of the production sites from the "old" member states.

Jose Manuel Barroso from Portugal, the new Chairman of the European Commission, also opposed the Sarkozy's controversial proposal; nevertheless, he did not disagree with the idea of harmonising the tax base of this tax.

Sobotka Wants to Negotiation Permanently Lower VAT for Housing Constructions in the EU

Bohuslav Sobotka, the Minister for Finance, will try to negotiate with the European Union to achieve a permanent exception for lower VAT on construction works associated with housing. At present, the state has an exception until the end of the year 2007. The Minister said this at the Financial Management and Development of Towns and Municipalities conference in the Czech Republic in early October. In his opinion, it would not be right if the old EU member states had permanent exceptions and the new members, including the Czech Republic, only had temporary exceptions.

According to the current exception, the VAT for constructions associated with housing should increase from the current lower rate (5%) to the basic rate (19%) after 2007.

"If some member states are going to have permanent exceptions, we will want to have permanent exceptions, too," said Sobotka. He believes that the same principle should be applied to all the member states. Thus, the Czech Republic will try to negotiate a permanent exception, or at least an extension of the exception, for the construction works associated with housing.

If the EU refuses this, Sobotka believes that the permanent exceptions of the original Union members should be reviewed.

SINGLE INTERNAL MARKET

Germany before Court because of VW

The European Commission filed an action against Germany with the European Court of Justice because of the Act on Volkswagen. This Act, approved at the time when this automobile manufacturer was privatised in 1960, protects the company against hostile take-over by restricting a shareholder holding a share of any size to have a maximum of 20% of the voting rights. In addition to that, the representatives of the republic government as well as federal government have the right to be in the company's supervisory board regardless of how many shares the governments hold.

The Commission believes that this Act is in conflict with the provision of the Treaty Establishing the European Community defining the right to free movement of capital because due to these protections, acquisition of shares in the automobile manufacturer is less attractive for investors.

Frits Bolkestein, the Commissioner for the single market, has asked Germany several times to repeal the controversial Act but Gerhard Schröder, the German chancellor, always refused this.

The decision of the European Union to file an action against the German government was not unanimous. According to the information in the press, four Commissioners were opposed to this decision (the Germans Günter Verheugen and Michaele Schreyer and the French Jacques Barrot and Pascal Lamy).

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1209

The House of Deputies Approved the European Company Act

The House of Deputies approved the Act, which is to permit foundation of what is known as a "European company". This type of company does not yet exist in the Czech Commercial Code, however, it has been provided for in the European legislation since 2001. The purpose of the Act is to adapt the Council Regulation 2157/2001 on the status of a European company and transposition of the Directive 2001/86/EC, which supplements the status of a European company with regard to involvement of employees.

The new Act will make it possible to incorporate business companies, which will be more viable in the single European



market. It will be possible to incorporate a European company either through a merger of companies from various member states, by creating a holding company or a joint subsidiary company. The bill assumes that the newly created company will be a joint-stock company and also defines the minimal capital necessary for incorporating such a company. In addition to the Commercial Code, the Notarial Code of Procedure and the Labour Code are also amended by the bill.

http://www.psp.cz/sqw/historie.sqw?o=4&T=691

ENTERPRISE

The Commission Proposes Assistance to European Textile Plants

Pascal Lamy and Olli Rehn, the European Commissioners, presented a seven-point plan for increasing the competitiveness of the European textile industry in relation to cheap Asian products before the remaining import quotas are eliminated as of 1 January 2005.

The suggested seven actions represent a response of the European executive to the requests and issues made and raised by a group of the representatives of the textile and clothing industry from the EU countries. This group was established by the European Commission in early 2004 for the very purpose of formulating recommendations on opportunities for improving the competitiveness of the European textile industry.

- 1. <u>Increased research and innovation</u>: The Commission is considering setting up a European Technological Platform, which, within the European Programme for Research and Technologies, would be developing advanced technologies with a high value added in the sphere of textiles and clothes.
- 2. Ensuring lifelong education and professional training: The goal is to support broader use of the Community Leonardo da Vinci Programme and the European Social Fund to provide finances for adaptations to the structural changes in the textile industry and for innovative actions in the area of employment.
- 3. The structural funds to cover unexpected crises: The Commission proposes creating a reserve fund within the Structural Funds, from which assistance to the textile industry would be financed in connection with restructuring, modernisation, coverage of the consequences of liberalisation of foreign trade in textiles and in connection with mitigating the social-economic impacts on the regions with higher concentration of textile plants.

- 4. Intensification of the fight against misuse of trademarks and piracy: A European website focused on copyright will be created and information will also be disseminated through seminars and the networks of primarily small and medium-sized enterprises.
- 5. Opening the markets: Within negotiations in the WTO, the Commission will propose facilitating the access of the European textile and clothing products to the markets in third countries and eliminating the non-tariff barriers.
- 6. <u>Fast completion of the Euro-Mediterranean Trade Zone</u>: Support for conclusion of agreements among the states in this region, based on the same rules of origin.
- 7. Enhancement of cooperation with China: The Commission will make use of the recently established Euro-Chinese textile dialogue and the Chinese import monitoring system in order to ensure smooth introduction of the new quota-free system starting from 1 January 2005.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1206

ENERGY AND TRANSPORT

Liberalisation of the Energy: 18 Sinners

The European Union warned 18 member states, including the Czech Republic, about the shortcomings in the legislation concerning the liberalisation of the energy industry. The Commission sent letters, in which it reproaches the states for not transposing the appropriate pieces of legislation into their national laws in time.

In July, the Commission announced that only two (the Netherlands and Slovenia) of the 25 states of the Union made the changes concerning the liberalisation of the gas market (the Directive 2003/55/EC) and electricity market (2003/54/EC) in their legislations before the specified deadline.





The long-awaited assessment report on Turkey was favourable and the Commission has recommended starting accession talks. The process of removing weapons of mass destruction, progress in the fight against international terrorism and compensations for relatives of the victims of terrorist acts committed in the past were the main reasons that made the EU Council decide to lift the embargo on the export of weapons to Libya. Domestic arms factories could also profit from this decision.

According to these rules, the companies in the Union should have the possibility to freely choose the supplier of electricity and gas starting from 1 July this year. The same is to apply to households starting from the year 2007.

The letter of the Commission was addressed to the Czech Republic, Germany, Belgium, Estonia, Finland, Ireland, Italy, Latvia, Malta, the United Kingdom, Slovakia, Sweden, Greece, Poland, Portugal, Spain and Luxembourg.

Some countries also received a warning about the legislation governing the gas market; the Czech Republic was not among these countries.

According to the normal procedure, the countries now have two months to respond to the letter. If they write that they have already started to take the necessary steps for correction, the Commission will wait and will not make any urgent requests. If no response is received by the European Commission within the said time limit, the European Commission will send a second reminder. If even then, after two months, the member state does not respond satisfactorily to the Commission and does not show any effort, the EC can bring it to the European Court of Justice.

Ivo Mravinac, the spokesperson of the Ministry of Industry and Trade, says that the national legislation will be harmonised with the European legislation in this area through an amendment to the Energy Act, which should come into effect in January next year.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1216

ENLARGEMENT

The Commission Recommended Starting Accession Talks with Turkey

The European Commission recommended to the European Union's member states that they should start talks with Turkey on its accession. According to the assessment report, the reason is the favourable development in Turkey and sufficient compliance with the Copenhagen criteria. The Commission also proposed several safeguards for the event that this development did not continue and emphasised that Turkey's possible membership is a matter of a longer time framework

During the negotiations, the criteria will be set for conclusion of each chapter and, in some cases, even for its reopening, the Commission points out. "It may be that long transition periods will be necessary," the Commission announced beforehand, and "special arrangements" in the area of agriculture, regional assistance or the labour market may also be necessary.

However, enlargement of the EU by Turkey is a controversial project for some politicians as well as some members of the public. According to the number of inhabitants, it could be the largest state in the future but it is very poor (GDP per capita amounts to 30% of the average of the EU-25), with a one-third share in the agriculture. The predominant part of the country is also found outside the European continent and 90% of its population profess Islam.

On the other hand, there is a prevailing opinion that inclusion of Turkey in the EU will be advantageous with respect to peace, stability and economic growth in the long run.

The European Communities received Turkey's application in 1963 and Turkey has had the status of a candidate country since 1999. The final decision on whether negotiations with Turkey will really start, and if so, on the starting date of such negotiations will be made by the European Council at its summit in December.

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1180

EC: Accession of Bulgaria and Romania in 2007

The European Commission continues to expect that Bulgaria and Romania will jointly accede to the European Union in 2007, said Günter Verheugen, the Commissioner for Enlargement.

"Bulgaria and Romania are at the final stage; Croatia is getting ready for the negotiations, which should start early next year and Turkey is waiting for a green signal to start the negotiations," Verheugen summarised the situation.

Romania has been engaged in the negotiations about accession since February 2000. Now, it was the first time when the European Commission described Romania as a functioning market economy, which will be able to succeed in the competition in the single market after accession to the Union. However, the country still has a lot issues to address in many areas. The Commission primarily criticised the insufficient fight against corruption and trafficking women. Among other things, the reform of public administration and judiciary must be followed through and implemented in practice.

Bulgaria was engaged in the negotiations about the accession to the EU from February 2000 until June of this year. In the regular assessment report, it was praised for developments in the economic sphere; however, it must yet follow through and implement the reform of public administration and judiciary. It is also necessary to eradicate the widespread corruption.



The Commission expects that the accession treaty will be signed with both countries at the same time in 2005 (provided that Romania concludes the negotiations at the beginning of the next year). Both countries would become EU members in 2007. The EC proposed a protective clause that would delay the accession of the two countries by one year, if they do not implement the economic and political reforms.

Croatia has had the status of a candidate since June 2004. The Commission's report confirmed that the talks with Croatia can be launched at the beginning of next year but it sad that it could freeze them if the principles of democracy are violated. The date of the country's accession to the EU was not set; it is estimated that this could take place in 2011. However, some analysts say that accession in 2007, together with Bulgaria and Romania, is also not out of the question. Among the main conditions in the assessment, the Commission mentioned the return of Serbs who had had to leave the country during the war after the division of Yugoslavia, and the cooperation with the international tribunal for war crimes.

http://europa.eu.int/comm/enlargement/report_2004/

EXTERNAL RELATIONSHIPS

EU Lifts the Embargo on Export of Weapons to Libva

The EU Council on external relations decided to lift the ban on export of weapons to Libya, which was introduced in 1986. The decision was made after pressure from the Italian government, which requested permission for Libya to import weapon systems from Europe for improved monitoring of its sea border and for combating illegal immigration to the small Italian island of Lampedusa.

The Ministers of the member countries explain their decision by saying that Libya launched a programme for removal of weapons of mass destruction. The "solution" in the issue of compensations for the family members of the victims who died in the terrorist attack above Lockerbie, in the French flight of UTA and at the disco in Labelle also had a positive influence. Libya also recently intensified the fight against international terrorism and the Al Qaida movement.

However, the Ministers for Foreign Affairs of the EU member countries expressed their concerns about respect for human rights in Libya and particularly about the fact that the death penalty has not yet been abolished there.

The Czech Ministry of Industry and Trade expects that local enterprises will be interested in resuming exports of weapons to Libya. The licence administration office has not yet received any application for an export licence but the

Ministry expects that the situation could change within a few weeks, Ivo Mravinac, the spokesperson, said to the Czech Press Agency. In particular, the exporters of spare parts could be interested in these exports.

http://www.eu2004.nl/default.asp?CMS_ITEM=DF8860B4E 55547429DEB794FFA4A8FB1X1X74372X9

JUSTICE AND HOME AFFAIRS

New European Passports with Biometric Information

The Ministers of Justice and Interior of the member states agreed on issuance of passports with biometric information such as fingerprints and digital photographs.

Member states will be required to start issuing passports with digital photographs within 18 months and passports with fingerprints within 36 months. These data will be stored on an attached special chip. In addition to that, the biometric data and personal data will be stored in national databases and the European Register for Issued Passports, which will be a part of the Schengen Information System.

However, the agreement concluded at the Council meeting is not yet final. Austria, Finland and the Netherlands expressed some minor objections, which, however, should not be insurmountable obstacles.

The goal is to increase the security measures concerning travel documents and to prevent their misuse in illegal immigration and terrorism. This step is in accordance with the American policy, which requires that the citizens of the countries, who do not need an entry visa for entering the USA, should have passports with biometric elements.

http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/jha/82414.pdf

New European Driving Licences Approved

The Ministers of Transport of the member states approved harmonisation of the driving licences in the European Union at a Council meeting. The future uniform driving licences will have a ten-year validity period for driving automobiles and motorcycles (five years for trucks) and will replace approximately 110 various types of driving licences, which the citizens of the member states have today. The new uniform model should have the form of a payment card.

http://www.eu2004.nl/default.asp?CMS TCP=tcpAsset&id=963061CD243240B2882C5B05887DC41CX1X4553X249&.pdf



From among the events that did not fit into the previous chapter, some worthy of attention are the signing of nine important agreements with Switzerland, the conclusion of talks on the association agreement with Syria and the signing of an agreement on partnership and cooperation with Tajikistan. The proposal for a Directive, which requires a collective liability of the management and increased transparency of transactions, off-balance-sheet items and corporate governance, will certainly raise a lot of discussion.

1 OCTOBER

New Member States play full part in evolving European Social Model:

http://europa.eu.int/comm/employment_social/news/2004/oct/socsit_report_en.html

New regulation to promote medicines for children: http://europa.eu.int/comm/enterprise/library/enterpriseeurope/news-updates/2004/20040929 b.htm

Commission launches public consultation on strengthening of EU-US economic partnership:

http://europa.eu.int/comm/external_relations/us/news/ip04_1 163.htm

Commission launches broad strategy to prevent financial and corporate malpractice:

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1164

4 OCTOBER

Green paper on public-private partnerships (PPP) - Publication of the contributions:

http://www.europa.eu.int/comm/internal market/publicprocurement/ppp en.htm

Third cohesion report - Publication of two preparatory studies:

http://www.europa.eu.int/comm/regional policy/sources/doc gener/studies/study en.htm



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Employment, Social Policy, Health and Consumer Affairs Council meeting:

http://ue.eu.int/ueDocs/cms Data/docs/pressData/en/lsa/82 125.pdf

Quarterly report on the euro area - third quarter 2004: http://www.europa.eu.int/comm/economy_finance/publications/quarterly_report_on_the_euro_area_en.htm

Interim evaluation report of Phare support allocated in 1999-2002 and implemented until November 2003:

http://www.europa.eu.int/comm/enlargement/phare evaluation reports interim.htm#from pre accession to accession

European Investment Bank: The intermediary banks and financing institutions for global loans:

http://eib.eu.int/news/news.asp?news=33

6 OCTOBER

Commission Communication on Financial Perspectives 2007 – 2013:

http://www.europa.eu.int/comm/budget/furtherinfo/index_en.htm#framework

7 OCTOBER

EU takes US to the WTO over subsidies granted to Boeing: http://www.europa.eu.int/comm/trade/issues/respectrules/dispute/pr061004_en.htm

The "international Dimension" of Internal Market policies: http://www.europa.eu.int/comm/internal_market/ext-dimension/index_en.htm

8 OCTOBER

Consultation of the Commission on electronic public procurement:

http://www.europa.eu.int/comm/internal_market/publicprocurement/e-procurement_en.htm

Ombudsman's "Could he help you?" brochure now available in the 21 Treaty languages: http://www.euro-ombudsman.eu.int/release/en/2004-10-07.htm

11 OCTOBER

Social partner organisations sign framework agreement on work-related stress:

http://www.europa.eu.int/comm/employment_social/news/20_04/oct/stress_agreement_en.html



Overview of MARCO POLO Programme (2003-2010): http://www.europa.eu.int/comm/transport/marcopolo/guide proposers/2004 10 01 info day en.htm

12 OCTOBER

Ceremony for Signature of the EU-Tajikistan Partnership and Cooperation Agreement:

 $\frac{\text{http://ue.eu.int/ueDocs/cms}}{\text{00.pdf}} \ \, \text{Data/docs/pressData/en/er/822}}{\text{00.pdf}}$

General Affairs and External Relations Council meeting: http://ue.eu.int/ueDocs/cms Data/docs/pressData/en/gena/8 2210.pdf

http://ue.eu.int/ueDocs/cms Data/docs/pressData/en/gena/8 2211.pdf

New website of the Pan-European Awareness-Raising Campaign on Corporate Social Responsibility:

http://www.europa.eu.int/comm/enterprise/csr/campaign/ind ex.htm

13 OCTOBER

Commission is setting-up forum of user experts for financial services (FIN-USE):

http://www.europa.eu.int/comm/internal_market/finservices-retail/finuse_en.htm

14 OCTOBER

Transport research - A guide to national programmes: http://www.europa.eu.int/comm/dgs/energy_transport/public ation/transport_research_en.htm

EU-AgriNet - New Vision on European Food and Agricultural

 $\underline{\text{http://www.europa.eu.int/comm/research/agriculture/index}}\underline{e}\\ \underline{n.html}$

15 OCTOBER

Environment Council meeting:

http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/envir/8 2253.pdf

European Union Action Plan on Drugs 2005 – 2008: http://www.europa.eu.int/comm/justice_home/news/consulting-drugs-en.htm

18 OCTOBER

Creation of European Corporate Governance Forum: http://www.europa.eu.int/comm/internal market/company/ecgforum/index en.htm

19 OCTOBER

Agriculture and Fisheries Council meeting:

http://ue.eu.int/ueDocs/cms Data/docs/pressData/en/agricul t/82273.pdf

Most recent evaluation reports of EU activitie:

http://www.europa.eu.int/comm/budget/evaluation/News/evaluation report list en.htm

Common framework for sharing supervisory information with US authorities extended by Commission:

http://www.europa.eu.int/comm/internal market/en/finances/banks/eu-us-coop2 en.htm

Summary Record of the Accounting Regulatory Committee: http://www.europa.eu.int/comm/internal market/accounting/committees en.htm#arc

20 OCTOBER

Agricultural trade statistics for the years 1995-2003: http://www.europa.eu.int/comm/agriculture/agrista/tradestats/index_en.htm

Convention on Nuclear Safety – 3rd Review Meeting (Euratom Report):

http://www.europa.eu.int/comm/energy/nuclear/legislation/conventions_en.htm

21 OCTOBER

Final Report on Daytime Running Lights (DRLs) for vehicles:

http://www.europa.eu.int/comm/transport/road/roadsafety/equipment/daytimerunninglights/index en.htm

Commission proposes system of trade preferences for developing countries for the period 2006-2008:

http://www.europa.eu.int/comm/trade/issues/global/gsp/pr20 1004 en.htm

EU and Syria mark end of negotiations for an Association Agreement:

http://www.europa.eu.int/comm/external_relations/syria/intro/ip04_1246.htm

22 OCTOBER

Economic and Financial Affairs Council meeting: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ecofin/82342.pdf

Latest DG Enterprise 'Pink Book' on EU legislation: http://europa.eu.int/comm/enterprise/library/enterpriseeurope/news-updates/2004/21-10-2004.htm



Road Transport campaign - young people in road safety actions (Youth on the Road):

http://europa.eu.int/comm/transport/road/roadsafety/behaviour/campaigns/index en.htm

25 OCTOBER

Commission public consultation on the creation of a Fundamental Rights Agency:

http://europa.eu.int/comm/justice home/news/consulting public/fundamental rights agency/index en.htm

Proposals for regulations on regional development and cross-border cooperation with candidate, potential candidate and third countries:

http://europa.eu.int/comm/world/enp/document_en.htm

26 OCTOBER

Justice and Home Affairs Council meeting: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/jha/82 394.pdf

Non-cash means of payment - Report on implementation of EU Fraud Prevention Action Plan:

http://europa.eu.int/comm/internal_market/payments/fraud/index en.htm#plan especes 1

27 OCTOBER

Signature of a number of Agreements with the Swiss Confederation:

http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/er/824_05.pdf

"CALMing" influence - European noise pollution network: http://europa.eu.int/comm/research/transport/news/article_1 608 en.html

28 OCTOBER

New references of harmonised standards for "construction products":

http://europa.eu.int/comm/enterprise/newapproach/standardization/harmstds/reflist/construc.html

29 OCTOBER

Commission proposes collective board responsibility and more disclosure on transactions, off-balance sheet vehicles and corporate governance:

http://europa.eu.int/comm/internal market/accounting/board/index en.htm

Commission proposes to allow export of generic medicines to countries in need:

http://europa.eu.int/comm/internal market/en/indprop/patent/medicines.htm

Commission proposes simplifying the formation, maintenance and alteration of companies' capital: http://europa.eu.int/comm/internal_market/company/capital/index_en.htm

With the accession of the ten new states to the European Union, the rules of the Treaty Establishing the European Community started to apply to them. One of these rules says that these countries will be subject to assessment by convergence reports until the time when they replace their national currencies with the Euro. The convergence reports provide the EU Council with information on the progress achieved by the states concerned in their compliance with the obligations arising from implementation of the EMU.



CONVERGENCE REPORT 2004

The purpose of the regularly published Convergence Report of the European Central Bank (ECB), which also covered, for the first time, the ten new EU member countries, which acceded to the EU on 1 May 2004, is to provide a comprehensive analysis of the preparedness of those member countries, which have not yet introduced the Euro, to meet the requirements for moving, in the area of monetary integration, towards the third stage of the Economic and Monetary Union (EMU) (by attaining a high level of sustainable convergence) and for full integration of the national central banks into the Eurosystem.

The 2004 Convergence Report is focused on assessment of the above-specified preparedness of the Czech Republic, Estonia, Cyprus, Lithuania, Latvia, Hungary, Malta, Poland, Slovakia, Slovenia and Sweden. The two remaining members of the EU, which do not participate fully in the EMU at present, i.e. Denmark and the United Kingdom, obtained a special position through negotiations.

By preparing the convergence report, the ECB meets the obligations imposed on it by the Treaty Establishing the European Community, according to which the ECB is to provide the EU Council, at least once every two years (or, as the case may be, at the request of a member state with a temporary exception to its participation in the EMU), with a report on the progress achieved by the member states in their compliance with the obligations concerning implementation of the EMU. The European Commission has a similar obligation to the EU Council.

Economic Convergence: Assessment and Analysis Framework

For the purpose of assessing the level of economic convergence, the European Central Bank uses a common analysis framework, which is applied to each country on an individual basis. This framework is primarily focused on the contents of the five Maastricht macroeconomic convergence criteria (price trend, fiscal deficit, public debt, exchange rate and long-term interest rates). It is also based on a number of other retrospective and prospective economic indicators, which are deemed to be relevant for a detailed assessment of sustainability of the convergence.

In order to ensure continuity, comparability in time and a uniform approach, the same principles of convergence assessment are used for the new EU member countries. In the case of some countries, these assessments have been carried out for eight years (the first convergence report of the then European Monetary Institute was published in 1996); the possibility to make comparisons over a longer

period of time will make it possible to better evaluate the factors that contributed to the convergence development (application of the Community's structural reforms, the use of funds and loans from the EU institutions, convergence as a result of national acceleration instruments).

The Contents of the 2004 Convergence Report Concerning the Czech Republic

As concerns the Czech Republic, the 2004 Convergence Report did not bring any new observations; it was rather another output of a respected institution, stating that "the key prerequisite for attaining a high level of convergence in the Czech Republic is to set off on the sustainable and trustworthy path of fiscal consolidation, in combination with considerable improvement of the country's fiscal results". As a secondary recommendation, the Convergence Report states the need to apply a policy focused on improving the functioning of the labour market (which it relates to the creation of an environment supporting price stability). This policy could also consequently contribute to fiscal consolidation.

The report favourably evaluates the development up until now and gives an optimistic outlook as concerns price stability. It again relates any possible risks to possible failure to meet the requirement for enhanced fiscal discipline.

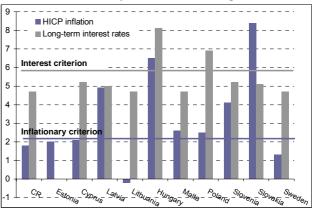
The CR has complied with the criterion of long-term interest rates. A trustworthy fiscal policy is absolutely necessary for ensuring compliance with this criterion in the future.

In addition to that, the report mentions certain legislative and institutional differences between the arrangements of the Czech National Bank and the requirements of the EU's rules. It explicitly states the rules concerning:

- independence
- treatment of classified facts

Some provisions of the Act on Supreme Audit Office are also mentioned

Fulfilment of inflationary and interest convergence criteria





Originally, the highlight of the section Expected events was to be the date of 1 November and the beginning of the term of office of the new European Commission. Nevertheless, the disputes in the European Parliament postponed the appointment of the new Commissioners. Even so, the list of meetings of the most significant bodies of the European Union is quite rich. To choose one of them, we will mention the meeting of the European Council, whose agenda will also include preparation of a medium-term revision of the Lisbon Strategy.

2.11.2004 Brussels, Belgium

- External Relations Council

4.-5.11.2004 Brussels, Belgium

- European Council

8.11.2004 Hague, Netherlands

- EU-India Summit

11.11.2004 Hague, Netherlands

- EU-Russia Summit

15.-16.11.2004 Brussels, Belgium

- Education and Sports Council

15.-18.11.2004 Strasbourg, France

- European Parliament Plenary Session

16.11.2004 Brussels, Belgium

- EcoFin Meeting

19.11.2004 Brussels, Belgium

- Justice and Home Affairs Council

19.-20.11.2004 Rotterdam, Netherlands

- Informal Meeting of Ministers of Transport, Telecom and Energy

22.-23.11.2004 Brussels, Belgium

- External Affairs Council

22.-23.11.2004 Brussels, Belgium

- Agriculture and Fisheries Council

25.-26.11.2004 Brussels, Belgium

- Competitiveness Council

25.11.2004 Brussels, Belgium

- Ecofin Council

29.11.2004 Brussels, Belgium

- Energy Council

For the general public, the assistance of the EU is synonymous with the Structural Funds or it possibly takes on the form of the common agricultural policy. We have dealt with both these topics in the previous issues of our magazine several times already. The main topic of the present issue is loosely related to the last but one issue: "Money from the EU Is Not Just Structural Funds". This time, we will take a look at the assistance programmes of the EU, other than the Structural Funds, through the eyes of SMEs.



EU ASSISTANCE PROGRAMMES FOR SMEs EXCEPT STRUCTURAL FUNDS

Small and medium-sized enterprises (SME) have a special social-economic importance in the European Union. They represent 99% of all entrepreneurial entities; they provide approximately 65 million job opportunities (in the EU-15) and contribute to development of the business environment and innovations.

The definition of small and medium-sized enterprises

categor	headcoun	turnover	or	balance sheet
medium	< 250	≤€ 50 mil.		≤ € 43 mil.
small	< 50	≤€ 10 mil.		≤€ 10 mil.
micro	< 10	≤ € 2 mil.		≤ € 2 mil.

Source: Commission's Recommendation 96/280/EC

The European Union provides support for small and mediumsized enterprises (SME) from the member states and often even from the candidate countries. The support takes on various forms, most often in the forms of grants, loans or guarantees. Small and medium-sized enterprises can also profit from a number of non-financial assistance measures.

Besides the Structural Funds, through which the highest amount of assisting money of the European Union is flowing into the sector of small and medium-sized enterprises, the SME can also make use of a broad range of other supporting programmes, which can, in principle, be divided into three groups:

- 1. Direct Community programmes
- 2. Financial instruments
- 3. External relations and international cooperation

DIRECT COMMUNITY PROGRAMMES

The financial support provided for the SME sector through direct programmes is usually industry-specific, i.e. it is focused, for example, on the environment, research, education, and it is proposed and applied by various departments of the European Commission (most frequently by the Directorates General). Small and medium-sized enterprises may apply for funds from these programmes directly. The funded projects vary according to the announced conditions; however, in general, they should comply with the concepts of sustainable development, value added and trans-nationality. The prevalent rule is a required degree of participation on the part of the submitters of

projects; this degree varies according to the conditions of the programme concerned.

Environment

LIFE

http://europa.eu.int/comm/life/home.htm

The LIFE financial instrument for the environment was launched in 1992 and it is one of the main instruments of the European environmental policy. The programme is devoted especially to sustainable development and its goal is to help to prepare, implement and update the Community's policy (defined in the 6th Environment Action Programme) and the environmental legislation.

The programme consists of three parts:

- LIFE-nature the purpose is to conserve the natural locations and wildlife fauna and flora in the interests of the European Union (see the Directive 79/409/EC on the conservation of wild birds and the Directive 92/43/EC on the conservation of natural habitats). The programme supports implementation of the policy for nature conservation and the network of Natura 2000 territories.
- LIFE-environment the purpose is to ensure integration of the Community policy and the environmental legislation in the EU member and candidate countries. This approach makes it possible to use and develop new methods, especially innovations and integrated technologies, for the protection and improvement of the environment.
- LIFE-third countries this includes actions providing technical support for activities aimed at implementing the strategy of sustainable development in third countries. The programme supports environmental policy management, whether in public institutions of third countries or in the companies and non-profit organisations operating in these countries.

Projects from the 5 following spheres are supported:

- 1. development of land use and planning the use of land;
- 2. sustainable management of underground and surface waters:
- minimisation of the impacts of economic activities on the environment through development of clean technologies and emphasis on prevention;



4. waste management and recycling;

5. reducing the environmental impact of products by applying an integrated approach to their production, distribution and consumption.

The LIFE programme was implemented in three phases. The current Phase 3 (LIFE III) in the years 2000-2004 has budget of 640 million Euro. This phase was extended to include the period 2005-2006 with an additional budget of 317 million Euro.

Energy Sector

Intelligent Energy for Europe

http://europa.eu.int/comm/energy/intelligent/index en.html

Intelligent Energy for Europe is a Community support programme for the period from 2003 to 2006, whose purpose is to provide financial support for local, regional and national initiatives in such a way so as to eliminate the market barriers to greater use of renewable energy and to greater energy efficiency.

Unlike, for example, the "6th Framework Programme for Research and Technologies", this programme does not make it possible to fund investments into technologies; conversely, it is more focused on promotion activities.

The general goal of the programme is to support sustainable development in terms of energy by providing well-balanced contributions to achievement of security of energy deliveries, competitiveness and the protection of the environment.

The programme is divided into four areas:

- SAVE the goal is to improve energy efficiency and rational utilisation of energy, especially in the building industry and in other industries.
- ALTENER this include promotion of new and renewable sources of energy for centralised as well as decentralised generation of electric power, heat and their integration into the local ecosystem and energy system.
- STEER this is a support for the initiatives associated with the energy aspects of transport, with diversification of fuels, with promotion of renewable fuels (bio-fuels) and with energy efficiency in transport.
- COOPENER this supports the activities associated with promotion of renewable sources of energy and energy efficiency in the developing countries, especially within the cooperation between the EU and the countries of Africa, Asia, Latin America and the Pacific region.

Small and medium-sized enterprises are significant users of the SAVE and ALTENER programmes, in particular, which make it possible to cover up to 50% of project costs. The programme for the entire period from 2003 to 2006 has a budget of 220 million Euro.

Research and Innovation

<u>Sixth Framework Programme for Research and Technological Development</u>

http://europa.eu.int/comm/research/fp6/index_en.html http://www.cordis.lu/sme/

The European Union's policy for research and technological development is implemented through several-year framework programmes. The current period from 2002 to 2006 is covered by the "6th Framework Programme for Research and Technologies" (FP6). Its goal is to support research and technological development in individual fields and to significantly contribute to establishment of the European Research Area and to innovations. The programme also provides support for the development of scientific and technical excellence and for coordination of European research.



The framework programme brings together the entrepreneurs, universities and research centres from various countries, consequently networking various national enterprises and research communities.

FP6 puts special emphasis on participation of small and medium-sized enterprises. An amount of EUR 2.2 billion has been allocated to the programme period 2002-2006, which is historically the highest amount. The strategy aimed at supporting small and medium-sized enterprises is implemented by FP6 through enhancement of their technological capacities and encouragement of their development in the knowledge-based economy.



In FP6, small and medium-sized enterprises can participate in all the seven priority thematic areas of research (up to 75% of the budget, i.e. EUR 1.7bn is earmarked for them):

- genotype and biotechnology for health;
- the technologies of the information society;
- nanotechnology and nano-science;
- · aeronautics and the outer space;
- · safety of food;
- sustainable development;
- economic and social sciences.

Small and medium-sized enterprises can participate in these priority thematic areas through Networks of Excellence, integrated projects and research projects with special focuses.

In each of the seven priority thematic areas, there are also specific support activities funded, whose objective is to stimulate and facilitate participation of SME and their association in FP6. These activities include, for example, conferences, seminars, studies and analyses, the activities of the working and expert groups, information and communication activities and an operational support.

In addition to that, two special schemes for SME (with a total budget of 430 million Euro) have been launched in the form of horizontal research activities. These schemes are "Collective Research" and "Cooperative Research". Their purpose is to entrust research works to research centres or universities to solve their specific problems.

<u>Eureka – a Network for Market-Oriented</u> <u>Research and Development</u>

http://www.eureka.be

Eureka is a pan-European network, which is designed to support international cooperation among industrial enterprises (especially SME), research institutes and universities, and to create opportunities for growth of performance and competitiveness of the European industry and for development of its common infrastructure.

Within the Eureka project, no European money is released – the goal is to establish contacts and access to networks of the cooperating parties primarily in the area of applied and industrial research and development. In spite of that, the cooperation within EUREKA is supported by the state in most member countries – in the Czech Republic the support from state funds can amount up to 50% of the financial costs of the research part of the project implementation.

The EUREKA programme does not define topic-specific assignments in advance, and does not centralise the funding or even the selection of the projects. It follows the

principle that the proposals and initiative must come from the bottom (this is known as the bottom-up principle), from individual industrial enterprises and companies, research institutes and universities, which are directly interested in cooperation. In principle, the thematic focus is not restricted and is determined by the priority trends in the development of industrial fields. In general, the projects are focused on the following areas: information technology; new materials; the environment; biotechnology and technology in health care; robotics and automation of production; communication technology; energy sector; transport; lasers.

Specific assistance to each participant of the EUREKA programme:

- finding the right partner for research and advice on conclusion of an agreement;
- showing the way to public and private financial sources;
- providing the interested parties with contacts to technical and marketing experts;
- sharing experience gained from the projects that have already been completed under the EUREKA programme.

Information Society

E-Content

http://www.cordis.lu/econtent/

E-Content is a multi-year Community programme (2001-2005), which was created to support access to high-quality digital products and services coming into being within the cooperation between the public and private sectors. Another goal of the programme is to encourage creation of applications in a multilingual and multi-cultural environment and increasing the dynamics of the digital content market. The programme is used to fund the costs of conferences, workshops, seminars, exhibitions, etc.

The programme is based on three main action lines:

- Improving the access to public information and increasing the extent to which such information is used
- Supporting the creation of content in a multilingual and multi-cultural environment
- Increasing the dynamics of the digital content market

Supranational consortiums, where at least two participants come from two different member countries, can participate in the programme. Participation of small and medium-sized enterprises is especially welcome.

The E-Content programme is a part of the eEurope action plan and it has a budget of 100 million Euro for the programme period 2001-2005. In most of the funded projects, co-funding in the amount of 50% of the incurred costs is required.



Education and Training

Leonardo da Vinci

http://europa.eu.int/comm/education/programmes/leonardo/new/leonardo2_en.html

Leonardo da Vinci is a European multi-year programme aimed at supporting enhancement of quality, innovations and the European dimension in the systems and vocational training practice and is aimed at supporting lifelong education through supranational projects.

Public organisations (such as schools, employment non-profit (professional agencies), organisations associations, trade unions) as well business as organisations, especially small and medium-sized enterprises and sole traders can participate in the programme.

The programme has three main goals:

- to improve the skills and competence of the persons going through the initial vocational training at secondary and high schools and at universities, with the purpose of improving employability and to make it easier for young people to find jobs in the European labour market;
- to enhance the quality and access to additional vocational training and to the lifelong process of acquiring knowledge and skills with the intention of improving the adaptability of people to technological and organisational changes;
- to emphasise the importance and strengthen the role of vocational training in the innovation process with the intention of increasing competitiveness and to develop business by improving the cooperation among the institutions of vocational training and enterprises.

Organisations can participate in the Leonardo da Vinci programme through five types of projects:

- Mobility projects: Projects of educational stays and exchanges, which seek to strengthen the European dimension in the initial and subsequent vocational training, to combine the theory and practice, to improve language skills and to increase the quality of vocational training of instructors and human resources managers.
- Pilot projects: The instruments designed to improve quality and to support innovation in vocational training; they are focused on development verification, evaluation and dissemination of innovated practices concerning the content, methods or study materials and teaching aids used in vocational training and consultancy. The projects must be innovative and must increase the quality of vocational training and consultancy. The outcome of a project must be a

- tangible product such as the curriculum of a course, an educational text, software, etc.
- Language skill projects: These projects are focused on developing, testing, validating, evaluating and disseminating innovative educational materials for foreign languages and on innovative pedagogic methods, which meet the specific needs of individual professions or economic sectors.
- Organisation networking projects: Their goal is to acquire, collect and use European knowledge, experience and innovative approaches in vocational training, to improve the analyses and prognoses of requirements for skills and to disseminate the outputs of cooperation networks and the project results in the EU.
- Reference material projects: These projects contribute to creation of comparable data on vocational training systems, to implementation of research projects and analyses and to the monitoring and dissemination of the best practices and to integrated exchange of information.

Depending on the individual project types, the contribution from the EU can amount up to 75% of the incurred costs or even 100% of the incurred costs in some cases. The second phase of the Leonardo da Vinci programme covers the programme period from 2000 to 2006 and a budget of 1.15 billion Euro was allocated to this phase.

Socrates

http://europa.eu.int/comm/education/socrates.html

Socrates is a Community action programme in the field of education.

The programme has four main goals:

- to strengthen the European dimension in education at all levels; to mediate broad international access to educational resources and to support equal opportunities in all fields of education;
- to support qualitative and quantitative improvement of language knowledge in the EU, especially the knowledge of the languages that are used less frequently, in order to encourage enhanced understanding and solidarity among people in the EU;
- to contribute to cooperation and mobility of both students and teachers in the field of education;
- to implement innovations in education, including introduction of information and communication technologies into tuition.

The Socrates programme is focused especially on (a) pupils, students and other trainees; (b) employees directly engaged



in the school education system; (c) all types of educational institutions; (d) the persons and institutions responsible for the education system at local, regional and national levels. On the basis of cooperation with educational institutions, the opportunity to participate in the programme is also open to private business organisations (especially small and medium-sized enterprises), business associations, social partners (trade unions) and research centres.

The SOCRATES programme is divided into the following programmes:

- ERASMUS this is focused on university education and tertiary education and its goal is to support European cooperation in this area.
- COMENIUS this supports international cooperation ranging from kindergartens to primary and secondary schools; it also offers possibilities for universities and institutions for additional training of teachers.
- LINGUA the main goal is to support language training and extension of language knowledge at all education levels.
- GRUNDTVIG this is focused on adult education and on other forms of lifelong education.
- MINERVA the goal is to support European cooperation in the area of open and distance education and the use of information and communication technologies in education.
- RESEARCH AND INNOVATION this supports the dialogue about the basic issues and problems in education and educational policy. This includes ARION, NARIC and EURYDICE:
- JOINT ACTIONS these support closer cooperation between the Socrates programme and other EU programmes such as Leonardo da Vinci, Youth, Jean Monet or the 6th Framework Programme for Research and Technology through cooperation on projects dealing with a common theme.
- ACCOMPANYING MEASURES these support the
 activities that are not included in the individual Socrates
 sub-programmes but generally aim at achieving the
 goals set by the programme. Within these measures, it
 is possible to fund one-year projects aimed at, for
 example, disseminating the results of project activities,
 organising seminars and conferences, etc.

The contribution from the programmes to funding the projects usually does not exceed 75% of the eligible costs. An amount of 1.85 billion Euro was allocated to the budgetary period from 2000 to 2006.

FINANCIAL INSTRUMENTS

Most of the financial instruments of the European Union designed for small and medium-sized enterprises are provided indirectly through national financial intermediaries. The goal is to increase the capacity of the capital granted to small and medium-sized enterprises and to help to develop the funding of the SME sector. The financial instruments are aimed at meeting the financial needs of small and medium-sized enterprises, which the financial market would not otherwise be able to do.

Within the multi-year programme for business and entrepreneurs, especially for small and medium-sized enterprises, 320 million Euro have been allocated to the period 2001-2005. These financial instruments are managed by the European Investment Fund.

European Investment Fund

http://www.eif.org/

The European Investment Fund is a special financial institution of the EU, which plays an important role in research, innovations and in development of small and medium-sized enterprises.

The EIF activities are based on two types of instruments:

1) Venture Capital Instruments

Their essential purpose is to invest capital into venture capital funds and business incubators, which support small and medium-sized enterprises, especially the newly created ones and the technologically oriented ones.

At present, the portfolio of EIF contains 2.55 billion Euro invested in 191 venture capital funds.

The capital for the venture capital instruments consists of two main sources of funding:

- the equity of the European Investment Bank group (EIB and EIF)
- the capital provided by the European Commission.

The capital provided by the European Commission is allocated through two programmes:

a) The European Technology Facility Start-up Facility

This supports foundation and funding of small and mediumsized enterprises at their initial stage by making investments into specialised venture capital funds.

The goal of the programme is to support equity investments into small and medium-sized enterprises, which have a higher risk profile than the capital fund usually accepts.



EIF can invest capital up to the amount of 25% of the total equity of the venture fund concerned (in exceptional cases up to 50%). Also, the investments must not exceed EUR 10 million (in exceptional cases EUR 15 million).

b) Seed Capital Managed by EIF (seed capital action)

It supports the seed venture capital funds and the business incubators, in which EIF participates from the initial years either through its own resources or on the basis of a mandate.

The support under this scheme is focused on long-term employment of investment managers aimed at increasing the capacity of the qualified staff of venture capital funds and business incubators. EIF co-funds the payment of wage costs spent on the management of these funds or incubators.

The maximum grant for one beneficiary must not exceed 300 000 euro for 3 persons or 5% of the invested start-up capital. Also, the beneficiary (the fund or incubator) must not use the grant to pay more than 50% of the costs of an employee.

2) Guarantee Instruments

The function of the European Investment Fund's guarantee instruments consists in giving guarantees to financial institutions (banks, leasing companies, etc.), which provide small and medium-sized enterprises with loans. The advantage for the financial institutions granting the loans to SME lies with the highest possible rating of the EIF (AAA/Aaa).

These activities are aimed at supplementing the global loans granted by the EIB to financial intermediaries to support the funding of the business of various SMEs.

The total amount of the EIF's guarantee obligations was just below EUR 6.35 billion (126 financial operations) at the end of the year 2003.

The EIF guarantees are provided in the following forms:

a) the EIF's own guarantee instruments:

- Credit Insurance a guarantee for the provided loans
- Credit Enhancement a guarantee for securitisation of assets
- Structured Transactions special investment transactions

Mostly, sophisticated products are provided, which are tailored to the needs of each client. A client, for whose loan a guarantee is provided, must be an independent small or medium-sized enterprise, incorporated in the EU, with a maximum of 500 employees and the net tangible fixed assets worth not more than 75 million Euro.

b) the programmes of the European Commission:

i) THE GUARANTEES FOR SMALL AND MEDIUM-SIZED ENTERPRISES.

This is a part of a multi-year programme supporting small and medium-sized enterprises (2001-2005).

4 types of guarantees are provided:

- Loan guarantees partial guarantees (both direct and indirect ones) for the loans granted to enterprises with a growth potential and with a maximum of 100 employees.
- Microcredit guarantees guarantees for credits granted to very small enterprises with a maximum of 10 employees for the purpose of encouraging financial institutions to get more involved in the sphere concerned
- Equity guarantees this supports long-term capital and quasi-capital invested into growth-oriented small and medium-sized enterprises with less than 250 employees; these are guarantees for funding an interest in a SME.
- Information and Communication Technology Loan Guarantee guarantees for loans provided to fund the acquisition of information technologies, software, provision of training with the purpose of supporting Internet and e-commerce. Priority is given to small enterprises with a maximum of 50 employees.



ii) THE GROWTH AND ENVIRONMENTAL SCHEME

A guarantee scheme facilitating the access of small and medium-sized enterprises (with less than 100 employees) to advantageous loans to fund investments into environment-friendly projects. The scheme consists in providing guarantees for loans granted by financial institutions to small and medium-sized enterprises for environmental projects.



The guarantee is given to the financial institutions free of charge (the costs are paid from the programme of the European Commission) and therefore SME are able to offer better financial terms.

European Investment Bank (EIB)

http://www.eib.org/

The EIB is a financial institution of the European Union and its objective is to contribute to European integration, well-balanced development and economic and social cohesion of the member states.

The EIB directly funds major projects involving more than 25 million Euro in the fields of transport, the environment and telecommunication or energy infrastructure. This is known as direct loans. Small and medium-sized enterprises can indirectly benefit from the EIB's loan activities through global loans.

Global Loans

The EIB provides global loans for small and medium-sized enterprises through financial intermediaries (banks or leasing companies) in the member countries, thus contributing to an increase of the volume of loans intended for the SME sector or for reduction of the interest rate. Municipalities can also make use of global loans.

A SME is considered to be an enterprise that does not employ more than 500 employees and whose net fixed assets do not exceed 75 million Euro. Investment projects involving less than a maximum of 25 million Euro can be funded through global loans. A maximum of 50% of the capital expenditures (i.e. a maximum of 12.5 million Euro) can be funded from a global loan. The term of the loans ranges from 5 to 12 years and the maximum term can be 15 years.

Global loans are of great importance for funding small and medium-sized enterprises. In the period from 1999 to 2003, the EIB provided the intermediary institutions with global loans totalling 57.7 billion Euro, which represented approximately a third of all the credits of the European Investment Bank.

Innovation 2010 Initiative

This initiative launched by the EIB is aimed at encouraging investments supporting the information society, research and development, innovations, competitiveness and human capital.

In general, the initiative ensures the following:

 medium-term and long-term financial sources of the EIB, often through loans with risk diversification or through structured loans; and a capital participation of the EIF and the guarantees designed to stimulate start-up and development of small enterprises by providing capital in the form of joint ventures or by facilitating access to bank capital.

The programme is focused on three priority areas:

- Education and training, including lifelong education in the sector of industry and services; integration of research into the tertiary education programmes; digital literacy and electronic education (eEurope); development and dissemination of knowledge through new media;
- 2. Investments into research and development (R&D) and the related areas, especially the products and processes of the private sector. This component concerns also joint funding of research programmes supported by the EU's 6th Framework Programme.
- 3. Creation and distribution of information and communication technologies (ICT) such as hardware, sources and applications supported by ICT. The aim is to support projects under the "eEurope 2005" and "eEurope+" programmes.

The support provided by the EIB group within the Innovation 2010 Initiative will reach a volume significantly exceeding EUR 50 billion by the end of the year 2010.

European Bank for Reconstruction and Development (EBRD)

www.ebrd.org

The objective of the EBRD is to use the investment instruments to support the process of building market economies in 27 countries from Central Europe to Middle Asia. It supplies finances to intermediary institutions (banks) and thus indirectly to the industry and business sectors.

The most important role it plays consists in providing loans through commercial banks in individual states. It is through the local banks that the EBRD provides loans for those projects that are too small to be directly financed by the EBRD. Thus, it also helps to develop the banking sector in the country concerned because it helps to improve the procedures for credit evaluation of new projects.

EU-EBRD SME Financing Facility

This scheme has been created to encourage growth and development of small and medium-sized enterprises by facilitating access to the loans and share capital provided by local banks.

Since its launch in 1999, 846 million Euro was provided through loans to local banks and leasing companies and through investments to the private capital funds under this



SME scheme for the countries in Central and Eastern Europe acceding to the EU.

1) Loans and Leasing

An average loan provided to an intermediary financial institution ranges from 5 to 15 million Euro. The finances are generally intended for small enterprises with a maximum of 100 employees (loans amounting to 30-100 thousand Euro) and for micro-enterprises with a maximum of 10 employees (loans amounting up to 30 thousand Euro).

The EU participates in this scheme by paying the fees that compensate the banks and financial companies for the costs associated with providing loans to SME. The EU grant also funds the technical assistance.

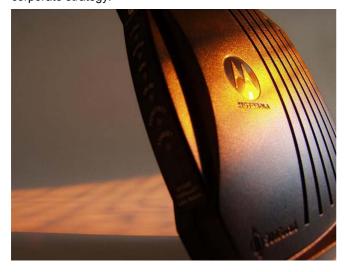
2) Share Capital

The EBRD mostly invests an amount ranging from 12 to 20 million Euro into private capital funds. The funds usually hold minority interests ranging from 10% to 49%. The EU's contribution in the scheme is focused on providing incentives for investments into the SME sector and also makes it possible to earmark money to hire professional fund managers.

The Gate to Growth Initiative

http://www.eib.org/i2i/en/index.htm

This initiative comprises an instrument, an infrastructure and auxiliary services intended for innovative entrepreneurs as well as for their supporters (investors). It is exactly the assistance in establishing contacts, through a database, which is one of the main goals. For starting businesses, this portal offers help in formulating ideas and plans within a corporate strategy.



It is basically an Internet portal containing a database of investment opportunities, which is supported by the European Commission and whose purpose is to support innovative entrepreneurs, especially from the SME sector, by providing them with access to a network of investors, experts on business incubators and patent specialists.

The Gate2Growth initiative is intended for:

- entrepreneurs (business matching);
- investors (InvestorNet);
- the managers of technological incubators (Incubator Forum);
- the offices engaged in knowledge transfer (Proton Europe);
- the academic sphere for the area of business, innovations and finances (Academic Network);
- innovative companies searching for a provider of expert services (Service Centre).

EXTERNAL RELATIONS AND INTERNATIONAL COOPERATION

The European Union's assistance programmes concerning external relations are focused on supporting European small and medium-sized enterprises in their establishing business contacts with entrepreneurs abroad. The programmes are usually focused on the countries of South-East Asia and most often consist in funding conferences, seminars, trade fairs and meetings of enterprises, which could possibly become partners, or meetings of business associations and in providing and mediating relevant information.

Asia Invest

http://europa.eu.int/comm/europeaid/projects/asia-invest/html2002/main.htm

An initiative of the European Union, which aims to support business cooperation of entrepreneurs from the EU and Asia.

The programme assists intermediary institutions with organisation of mutual partnerships and with opportunities for cooperation among companies, especially small and medium-sized enterprises, in the EU and South Asia, South-East Asia and China.

The Asia-Invest programme allows for creating a framework of interconnected activities inside seven instruments; grants are provided in three areas of activities:

1) Seeking out business partners and building partnerships - the main goal of these activities is to provide small and medium-sized enterprises from the EU and Asia with the opportunities to meet and form partnerships. It



contains three instruments, different in their basic requirements but mutually complementary:

- 2) Increasing the development of the Asian private sector this area of activities supports the development of the private sector by providing technical assistance and by building the capacities of Asian small and medium-sized enterprises to support their internationalisation and potential partnerships with European companies. This also covers market research information.
- 3) Increasing the international capacity, network and dialogue building the measures from this area of activities consist in supporting the Asian intermediary business associations and in building relationships with the European counterparts in order to increase mutual business and investment exchange. In addition to that, it supports the initiatives facilitating the dialogue and innovation exchange between the business sector and public institutions and the building of multilateral agreements on business and investments to open up new opportunities.

The direct beneficiaries of the programme's funds are the non-profit business intermediary organisations from the EU member states and the selected Asian countries: chambers of commerce, agencies supporting business and investments, business and professional associations, institutes of technologies, management, standardisation and quality.

A budget of 35 million Euro was earmarked for the programme period 2003-2007.

Asia IT&C

http://europa.eu.int/comm/europeaid/projects/asia-itc/cf/index.cfm

The goal of the EU-Asia IT&C programme is to improve the quality of the partnership between the EU and Asia and to bring together the two regions in the search for innovative and compatible solutions and standards in information technologies and communications (IT&C). The benefit is the integration of the participating countries/regions into the global information society.

Non-profit organisations are the eligible applicants and partners in this programme: national and regional non-profit organisations, research institutes, universities, professional associations, chambers of commerce. Profit-making organisations, especially SMEs, can also participate in the programme as the service providers in a partnership.

All 25 EU member states and 17 selected Asian countries can participate in the programme.

There are five Programme Components:

- 1. **Get-in-Touch & Keep-in-Touch** establishing links between the European and Asian organisations through workshops, seminars and conferences, where the issues of application as well as regulation and standardisation of information and communication technologies are discussed.
- 2. **Short technical and university courses** organisation of university and technical training courses making use of the European technology, information, school curriculum and teaching methods. The result is a partnership of the accredited European and Asian educational institutions.
- 3. Cooperation with the European initiatives and programmes for information technologies transfer of know-how from the existing European initiatives and programmes focused on information technologies and communications (such as the 6th Framework Programme for Research and Technological Development) and enhancement of the cooperation between European and Asian organisations.
- 4. Understanding the European and Asian regulatory and legislative organisational structures preparation of studies and organisation of discussions in Europe and Asia with the purpose of enhancing the understanding of the European and Asian regulatory framework, standards and structures in ICT and subsequent improvement of compatibility and cooperation in legal issues.
- 5. **Practical demonstration projects** demonstration of the already implemented successful joint projects in ICT with a favourable effect on other participants of the programme.

The most frequent co-funding level is 77%. The budget of the programme is 9.95 million Euro for 2004.

Manager Training Programme in Japan and Korea

www.etp.org

The goal of the programme is to help the European business managers to access the Japanese and Korean markets.

The content of the programme is organisation of training courses, which take place in Japan or Korea. It is a combination of language courses, seminars on the business environment and acquisition of experience in local enterprises.

The purpose is to create a set of European managers who are able to communicate with the Japanese and Koreans and have knowledge of and experience with how business is done in these countries.



The European Commission fully funds the costs of the programme. This includes the following:

- pre-departure seminar;
- training costs;
- fee for relocation;
- a monthly contribution to the living costs.

With regard to the high living costs, it is expected that the employers will provide the managers sent abroad with additional contribution from their funds. The employers also pay for the transportation from Europe to Japan or Korea.

"Gate to Japan"

The "Gate to Japan" campaign supports the launch of European products on the Japanese market. It is intended for European small and medium-sized enterprises.

The programme is intended for entrepreneurs who are newcomers to the Japanese market (the condition is presentation of a clear and well-founded business strategy for activities in Japan) or for established exporters facing difficulties in further development of their activities in Japan.

The programme consists in complementing and increasing the value added to the export promotion activities in eight selected sectors of European industry that have a high potential for expanding to the Japanese markets:

- health care;
- construction materials;
- information and communication technology;
- environmental technology (including bio-technology);
- outdoor lifestyle;
- indoor lifestyle;
- young fashion;
- food and beverages.

At present, the initiative is at its third stage (for the years 2003-2006) and organisation of 32 events in the form of trade fairs or business missions is being planned. The programme includes coverage of up to 80% of the costs associated with participation in the events; in addition to that, the participants will also receive a contribution to accommodation costs and will obtain a wealth of information and a number of contacts.

It is expected that during the entire campaign, more than 950 SMEs from all the 25 EU member states will be supported in their entry to Japan.

AL Invest

http://europa.eu.int/comm/europeaid/projects/al-invest/index en.htm

AL-Invest is a programme of the European Commission designed to provide systematic and continued support of investments, technology transfer, foundation of joint ventures and establishment of long-term business contracts between the companies from the EU and Latin America.

The AL Invest programme consists of a network of operators from Europe and Latin America, which cooperate in organising meetings (referred to as sector meetings) of the companies active in the same sectors on both sides of the Atlantic.

The meetings are open for entrepreneurs from all sectors. Participation in the meetings is free of charge; the participants only pay the costs of transport and accommodation. The programme co-funds up to 80% of the costs associated with these sector meetings; the remaining 20% is paid by the operators from their funds.

The operators are most often regional development agencies, chambers of commerce or industry, professional organisations and associations; in Europe, the operators are also consultancy companies focused on cooperation among companies.

During the last 4-5 years, more than 6,000 companies from both sides of the Atlantic participated in the programme.



The months of November and December also offer a number of interesting conferences, seminars and debates to those who are interested in the European integration process and related matters. The interest of the representatives of the banking and financial sector will probably be captured by the annual conference of the European Federation of Mortgage Banks or the conferences organised by the Group of European Savings Banks.



Date	Place	Name and Characteristic
17.11.2004	Brussels, Belgium	CEPS: European Visa Policy after Enlargement: http://www.ceps.be/Event.php?event_id=83
18.11.2004	Brussels, Belgium	I.R.I.S.: Competitiveness inside Business Associations: eCommunication best practises from the corporate world: http://www.irisecom.com/Content/Default.asp
18.11.2004	Brussels, Belgium	European Savings Bank Group (ESBG): Stakeholder debate: "Corporate Social Responsibility at a local level": http://www.cpexpo.com/common/orienta/default.asp?UserLg=US
22.11.2004	Brussels, Belgium	Friends of Europe: Dinner debate: 'How to safeguard sustainable health care in the free of an ageing population?: http://www.friendsofeurope.org/conf_ataglance.asp?Confld=349
2225.11.2004	London, United Kingdom	EWEA: 2004 European Wind Energy Conference & Exhibition: http://www.ewea.org/06b events/events 2004EWEC Conferenceoverview.htm
2425.11.2004	Brussels, Belgium	European Mortgage Federation: EMF Annual Conference: http://www.emfconference.org/
2426.11.2004	Portoroz, Slovenia	7th Central European Initiative Summit: http://www.ceinet.org/main.php?pageID=30
25.11.2004	Brussels, Belgium	International Association of Public Transport (UITP) / European Union: 'Towards Sustainable Urban Transport: What Actions are needed?': http://www.uitp.com/Events/2004/brussels/en/
2930.11.2004	London, United Kingdom	EU conferences: Nanotechnology: Issues for Business: http://www.euconferences.com/nanotechnology04.htm
2930.11.2004	Maastricht, Netherlands	EIPA: The Internal market and the Free Movement of Goods - Current State: http://www.eipa.nl/activities/04/34202 29Nov/en/invitation.htm
30.11.2004	Brussels, Belgium	Friends of Europe: Better Regulation for the Transport Industry to ensure European Competitiveness: http://www.friendsofeurope.org/conf_ataglance.asp?Confld=350&frame=yes
68.12.2004	Brussels, Belgium	ECTA's 5th Annual Regulatory Conference: http://www.ectaportal.com/html/index.php?pgd=events_article&rec=400
8.12.2004	Brussels, Belgium	FEDMA: Consenting Adults - The Need for Permission in Direct Marketing: http://www.fedma.org/code/page.cfm?id_page=106
89.12.2004	Brussels, Belgium	European Savings Banks Group: EUROPEAN RETAIL BANKING MARKETS - POST 2005: http://www.savings-banks-events.org/



The statistical window in a tabular form shows the important macroeconomic and financial indicators of the countries which have newly acceded to the European Union, with respect to the criteria defined in the Maastricht Treaty: the month-on-month, year-on-year and average inflation rates, the indicators of the fiscal budget deficit and the state debt, expressed in relation to the GDP, and the volatility of the exchange rates of national currencies to the euro.

Price development

	m-on-m HICP growth			y-on-y HICP growth			average y-on-y HICP growth in %		
	VII-04	VIII-04	IX-04	VII-04	VIII-04	IX-04	VII-04	VIII-04	IX-04
EU	-0.2	0.1	0.2	2.3	2.3	2.1	1.9	2.0	2.0
EU - minimum	-	-	-	-	-	-	0.4	0.4	0.5
CR	0.3	0.0	-0.7	3.1	3.2	2.8	1.3	1.6	1.8
Estonia	-0.3	-0.1	0.2	4.0	3.9	3.8	1.6	1.8	2.0
Cyprus	-1.3	0.5	1.0	2.9	2.8	1.8	2.1	2.1	2.1
Lithuania	0.0	-0.3	0.5	1.8	2.2	3.0	-0.7	-0.5	-0.2
Latvia	0.2	-0.1	0.4	6.7	7.8	7.7	4.3	4.5	4.9
Hungary	0.0	-0.3	0.1	7.2	7.2	6.7	6.1	6.3	6.5
Malta	0.5	-0.5	0.5	3.1	2.5	3.2	1.9	2.6	2.6
Poland	-0.1	-0.3	0.3	4.7	4.9	4.7	1.8	2.1	2.5
Slovakia	0.1	-0.2	0.2	8.3	7.0	6.4	8.6	8.6	8.5
Slovenia	0.5	-0.3	-0.4	3.7	3.7	3.4	4.5	4.3	4.2

Note: HICP means harmonised index of consumer prices, EU – minimum means the average inflation in three EU member states with the lowest inflation. Source: Eurostat

Fiscal development

	Net balance of general government to GDP in %			General government gross debt to GDP in			
	2001	2002	2003	2001	2002	2003	
EU-25	-1.0	-2.0	-2.6	63.2	62.5	64.0	
CR	-6.4	-6.4	-12.9	25.2	28.9	37.6	
Estonia	0.3	1.8	2.6	4.7	5.7	5.8	
Cyprus	-2.4	-4.6	-6.3	64.4	67.1	72.2	
Lithuania	-2.1	-1.4	-1.7	23.4	22.8	21.9	
Latvia	-1.6	-2.7	-1.8	16.2	15.5	15.6	
Hungary	-4.4	-9.3	-5.9	53.5	57.1	59.0	
Malta	-6.4	-5.7	-9.7	61.8	61.7	72.0	
Poland	-3.5	-3.6	-4.1	36.7	41.2	45.4	
Slovakia	-6.0	-5.7	-3.6	48.7	43.3	42.8	
Slovenia	-2.7	-1.9	-1.8	26.9	27.8	27.1	

Note: according to the ESA 95 methodology. Source: Eurostat

Volatility of FX rates of new EU member states

rolatinity of the ratios of flow 20 monitor states									
		Last 24 months		Last 12 months					
	average rate	deviation maximum in %	deviation minimum in %	average rate	deviation maximum in %	deviation minimum in %			
Czech koruna	31.88	+4.4	-4.3	32.10	+2.9	-3.7			
Estonia kroon	15.65	+0.0	+0.0	15.65	+0.0	+0.0			
Cyprus pound	0.583	+2.0	-1.1	0.583	+1.3	-0.7			
Lithuanian litas	3.453	+0.0	-0.0	3.453	+0.0	-0.0			
Latvian lats	0.646	+8.2	-4.5	0.660	+3.2	-2.5			
Hungarian forint	252.0	+7.4	-8.0	254.4	+3.6	-7.1			
Maltese lira	0.426	+2.9	-1.4	0.427	+0.8	-1.0			
Polish zloty	4.448	+13.3	-9.9	4.603	+7.4	-6.7			
Slovenian tolar	235.7	+2.9	-1.8	238.5	+1.2	-0.6			
Slovakian koruna	40.96	+3.0	-3.6	40.34	+1.4	-2.6			

Note: volatility of foreign exchange rates of new EU member states to euro is expressed in the form of arithmetical average and in the form of maximum and minimum deviation from the average in the reference periods. The reference periods end at 31 October 2004. Source: Eurostat

