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Page 3 | Cyprus and Malta are heading for the Eurozone next year

Page 7 | EU Plans to Reduce Car Emissions

Page 8 | Government Approves All Key Documents for Drawings on EU Funds

Page 12 | Topic of the Month: Allocation of EU Structural Funds in Member States II.

Page 17 | Country focus: Bulgaria

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Dear readers,

The first impression from the list of events that dominated European integration affairs this February could be that there was an unusually high number of foreign policy, security policy, and diplomatic matters focused on the institutional operation of the EU, whereas strong economic topics, which could determine the fundamental direction of future development, seemed to be missing. But perhaps this was an initial, more superficial impression, as upon closer examination of the work done by EU institutions during February we find a number of interesting matters of an economic character.

If we attempt to make a brief list, we could mention, in particular, that there were difficulties in some countries accepting what is still only a working proposal for reductions in the volume of waste products for newly produced cars, which will certainly be analysed from the viewpoint of the economic consequences. This topic is, however, just beginning to be opened up, but is also part of the current trend of discussing topics concerning various energy aspects linked to the environment.

From the monetary viewpoint, February was the first opportunity to assess procedural experience of Euro introduction in Slovenia, in particular after the end of the two-week dual circulation of currency. In the second month of this year, we also saw another small official step regarding the relatively close possible further expansion of the Euro-zone – this time to include Malta and Cyprus, should join the common European currency area at the beginning of 2008.

In February we also saw the publication of the regularly updated summary of economic development of the various European regions and whole member states, which confirmed a relatively favourable improvement in the position of Czech regions and the whole country; nevertheless, there is still quite a gap between us and the two countries in front of us – Slovenia and Greece.

In addition, we learned the contents of a new set of macroeconomic forecasts for the EU as a whole and for its members for 2007, which, in comparison with past years, look relatively promising.

At the end of this introduction we would like to remind you that in February it is 15 years since the European integration process started using the European Union name, as the Treaty of Maastricht was signed, following a European Council summit in the Dutch city of the same name and opening the way to the Maastricht period in the development of European integration. While we are on the subject of anniversaries, March has another, even more important one – it is the 50th anniversary of the signature of the Treaty of Rome and the establishment of the European Communities.

When we remember this milestone on 25 March, it will certainly be worth spending a little time thinking about what the whole process of European integration has achieved in this time. If regular reading of our EU News Monthly helps you think about this, we will be honoured.

Petr Zahradník

The Czech Republic, or rather Euro-deputy Ouzký, may have lost the position of deputy chairman of the European Parliament, but it has obtained the prestigious chairmanship of the important Committee for the Environment, Public Health and Food Safety. The relevant ministries have approved the National Plan for Euro Introduction in the Czech Republic, and the whole government will discuss the document in March. The plan does not contain a target date for the adoption of the Euro in the Czech Republic.

POLITICS

Membership of Czech Euro-deputies in Parliamentary Committees

At a plenary session on 31 January, Euro-deputies **approved new line-ups for committees** for the second half of the term of office ending in the summer of 2009. Committee members are elected based on nominations submitted by caucuses and unaligned deputies.

Czech deputies are full members of 18 out of 20 of the European Parliament's standing committees. They are also represented in one sub-committee and one temporary committee. 5 out of 24 Czech Euro-deputies are in the leadership of their committees. The **first ever Czech chairman of a committee is Miroslav Ouzký**, who now heads the committee for the environment, public health and food safety. Petr Duchoň, Zuzana Rothová, Libor Rouček and Miloslav Ransdorf were confirmed as deputy-chairmen.

The committees' main aim is to prepare Parliament's work at plenary sessions. They therefore draft reports on legislative proposals that were submitted to the Parliament or about which the Parliament was consulted, as well as reports on their own initiative. The committees assess and propose amendments to draft directives and regulations drafted by the European Commission and that are also submitted to the EU Council.

http://www.europarl.europa.eu/news/expert/infopress_page/008-2637-031-01-05-901-20070131IPR02636-31-01-2007-2007-false/default_cs.htm

ECONOMY AND EURO

National Plan for Euro Introduction in the Czech Republic Drafted

The **National coordination group** (NCG) for the introduction of the Euro has drafted a plan for the introduction of the single European currency in the Czech

Czech Euro-deputies in committees of the European parliament

Committee	Czech members
Foreign Affairs - AFET	Libor Roucek (PES, ČSSD) – 1st vice-chairman Jana Hybaskova (EPP-ED, SNK-ED) Josef Zieleniec (EPP-ED, SNK-ED)
Development - DEVE	Jan Zahradil (EPP-ED, ODS)
Budgets - BUDG	Hynek Fajmon (EPP-ED, ODS) Nina Skottova (EPP-ED, ODS)
Budgetary Control - CONT	Petr Duchon (EPP-ED, ODS) – 3rd vice-chairman
Economic and Monetary Affairs - ECON	Ivo Strejcek (EPP-ED, ODS)
Employment and Social Affairs - EMPL	Milan Cabrnoch (EPP-ED, ODS) Richard Falbr (PES, ČSSD) Jiří Mastalka (GUE/NGL, KSČM)
Environment, Public Health and Food Safety - ENVI	Miroslav Ouzky (EPP-ED, ODS) - chairman
Industry, Research and Energy - ITRE	Miloslav Ransdorf (GUE/NGL, KSČM) - 1st vice-chairman Jan Brezina (EPP-ED, KDU-ČSL) Vladimír Remek (GUE/NGL, KSČM)
Internal Market and Consumer Protection - IMCO	Zuzana Roithova (EPP-ED, KDU-ČSL) - 1st vice-chairman
Transport and Tourism - TRAN	Petr Duchon (EPP-ED, ODS) Jaromír Kohlicek (GUE/NGL, KSČM)
Regional Development - REGI	Oldřich Vlasak (EPP-ED, ODS) Vladimír Zelezny (IND/DEM, Nezávislí) Jana Bobosikova (NA, Nezávislí)
Culture and Education - CULT	Věra Flasarova (GUE/NGL, KSČM) Tomáš Zatloukal (EPP-ED, SNK-ED)
Legal Affairs - JURI	Jaroslav Zverina (EPP-ED, ODS) Daniel Stroz (GUE/NGL, KSČM)
Women's Rights and Gender Equality - FEMM	Věra Flasarova (GUE/NGL, KSČM)

Republic. It has been approved at the level of the departments involved in the NCG's activities; the whole government should look at it in March, after which the document will be available to the public.

The national plan is the **basic framework for practical preparations for the introduction of the Euro** and represents a summary of procedures and guides for industry and citizens about how to get ready for the adoption of the single Eurozone currency. The main areas that the plan deals with include:

- **Dual marking of prices** in CZK and € – from five months before the adoption of the Euro and for one year after the adoption of the Euro;
- **Dual circulation** of CZK and € – for 2 weeks after the transition to the €;
- Alterations to **information systems**;
- The principles for **informing** about the introduction of the €;
- The **deadlines for subsequent exchange** of CZK for € in commercial banks (within half a year of the introduction of the €) and at the central bank (within five years of the introduction of the €).

The key point in the national plan is, according to its creators, **consumer protection and minimising the costs** for the public and private sectors.

The press release about the approval of the National Plan for Euro Introduction by the relevant ministries contains information that the Ministry of Finance believes it is **realistic for the Euro to be introduced in the Czech Republic in 2012** and the national plan is prepared in a way to meet this aim.

The National Plan for Euro Introduction is more of a **technical document** that defines, in particular, the administrative procedures for Euro introduction in the Czech Republic. We will wait for the government to approve it and present it to the public before providing a more detailed analysis.

Nevertheless, the **plan does not contain the key piece of information** that interests businessmen, the financial sector and the general public – when will the Euro be introduced in the Czech Republic then? Placing this binding anchor, which will facilitate medium-term planning for all domestic entities, seems to be highly important to us. However, the orientation year of 2012 is more or less in line with our forecasts. We regard 2013 as a slightly more probable time for entry into the Eurozone.

http://www.mfcr.cz/cps/rde/xchg/mfcr/hs.xsl/tiskove_zpravy_30538.html

Cyprus and Malta are heading for the Eurozone next year

The Republics of Cyprus and Malta could become the **14th and 15th members of the European Union to introduce the single European currency**.

In February official **representatives of Cyprus and Malta officially asked to be admitted to the Eurozone**. The expected timing could be similar – but with a year's delay – as in the case of Slovenia, the first "new" country to replace its domestic currency with the Euro, which happened on 1 January this year.

Extraordinary convergence reports of the European Commission and European Central Bank assessing compliance with the Maastricht convergence criteria and the other requirements (central bank legislation) by Cyprus and Malta will be **published in the middle of May**. The final decision on the adoption of the Euro in both countries should be made based on these reports by the middle of June at a meeting of the EU Economic and Financial Affairs Council.

Cyprus is the richest new member of the European Union with higher GDP per capita than Slovenia, where the Euro has been in use since the start of this year. However, **they are still balancing on the edge of the long-term fiscal criterion** that requires getting public debt below 60% of GDP. According to the convergence programme, it should be met in 2008. Nevertheless, the Maastricht criteria tolerate a higher value than the critical 60%, if "it is falling sufficiently and approaching the recommended value at a satisfactory tempo." The Cypriot pound **entered the ERM II currency system in May 2005** and is oscillating near to parity without excessive fluctuation.

Malta is in a similar position, **public debt may be higher than 60% of GDP**, but has fallen significantly since 2004. The balance of public budgets to GDP, however, is still balancing on the 3% edge. The Maltese lira was also anchored to the Euro in ERM II in May 2005, its exchange rate movements inside a +/- 15% band can be characterised as free of excessive fluctuations.

In addition, indicators that are not part of the Maastricht criteria but significantly characterise the ability to get by in the single currency zone prove that **Cyprus should not have a problem adopting the Euro**. The level of GDP per capita (at purchasing power parity) is 88.3% of the EU-25 average, the price level is also not significantly lower (90.2% average). Malta has lower values in both categories.

As both countries are over the fiscal public debt limit, it will be interesting to see **how they are assessed by the**

A summary by the European Commission confirmed that the least untransposed directives governing the single internal market were in Denmark, whereas the most were in Portugal. The Czech Republic is amongst the six worst countries in this regard. The Commission made it harder to block cross-border trade using different technical requirements and safety standards.

Commission and the ECB this time. On the eve of the Euro's establishment in 1998, Italy and Belgium were let into the Eurozone, even though they both had a public debt of 118.1% of GDP. On the contrary, Lithuania was the victim of a strict evaluation last year, when its application was rejected as it exceeded the inflation criterion by 0.1%.

However, we are inclined to believe that the **Euro will come into use in Cyprus and also probably Malta on 1 January 2008**.

Key economic indicators for 2006

in %	Cyprus	Malta	Slovenia	CR	Threshold
public budget[1)]	-1,9	-2,9	-1,6	-3,5	-3,0
public debt[1)]	64,8	69,6	28,4	30,9	60,0
average inflation[2)]	2,2	2,6	2,5	2,1	2,8
GDP per capita[3)]	88,3	69,7	83,6	76,1	-
price level[4)]	90,2	72,5	74,5	57,8	-

Source: Eurostat, 1) as of GDP, 2) from January till December 2006, 3) according to the PPS, 4) to EU average

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/71

TAXATION AND CUSTOMS UNION

EU Against Swiss Taxes

The European Commission has **accused Switzerland of offering unfair tax advantages** to companies and said that they have the dimensions of illegal government support, and that they are being used to attract multinationals away from the EU.

The exemptions apply to **profits generated in the European Union** and the Commission is therefore urging they be cancelled. According to the European executive, they are illegal government support and in conflict with a 1972 bilateral agreement between Switzerland and the EU. In it both entities undertook not to use subsidies that interfere with economic competition.

"Switzerland enjoys the benefits of privileged access to the internal market and must accept the responsibilities that go along with this," said **External Relations Commissioner Benita Ferrero-Waldner**.

Switzerland rejects the objections, as **tax rules are not the subject of the agreement**, and is even considering making tax conditions for multinational companies more attractive.

Although the 1972 agreement enables the use of reciprocal measures (including import duties on Swiss goods), spokesman Emma Udwin said that the Commission will first try to obtain a **mandate from member states for amendments to the agreement with Switzerland**. It is expected that member states' representatives will OK the Commission's initiative.

The question of harmonising direct taxation was discussed at a February meeting of the EU Economic and Financial Affairs Council. In the end the member states' ministers of finances **did not agree on a common resolution** that served as a starting point for further negotiation. Against the proposal by the German presidency that pushed a mention of "**detrimental tax practices**" there was a strong opposition group around Great Britain, Ireland, Sweden, the Netherlands, Poland, the Baltic States, the Czech Republic and Slovakia.

The principle of unanimity applies in tax matters – **each of the 27 member states has a veto**. So in the medium term we do not believe that corporate taxation, which is the biggest problem for some member states, led by Germany and France, will be harmonised in any way.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/176

INTERNAL MARKET

Implementation of Directives Best Ever

Member states have managed to **achieve the best yet progress in implementing agreed internal market rules in national legislation**, as can be seen from the latest scoreboard, which the European Commission prepared for the internal market. On average member states are only overdue on implementing 1.2% of overdue internal market directives in national legislation. The deficit was 1.9% half a year ago.

Optimism is tempered by the fact that very often member states **does not implement internal market rules or do not implement them correctly** – only eight countries managed to reduce the number of proceedings conducted against them before the European Court of Justice for breaching rights. Italy is easily the biggest sinner and 161 sets of proceedings for breaches of European law are being conducted against it. The Czech Republic, against which there are 22 cases, is in the top third of well-behaved countries.

The best results were achieved by **Denmark** and **Lithuania**, which only need to implement five directives to get to zero. The **Czech Republic**, **Luxembourg** and **Italy** are top of another category; these countries achieved the best improvement in results.

However, there is not much reason to celebrate in the Czech Republic; we are one of the six countries with the largest number of un-implemented internal market directives.

No of non-transposed internal market's directives

Denmark	5 (0.3%)	Estonia	18 (1.1%)
Lithuania	5 (0.3%)	Austria	18 (1.1%)
Latvia	8 (0.5%)	Ireland	20 (1.2%)
Slovakia	10 (0.6%)	EU	
Finland	11 (0.7%)	Sweden	21 (1.3%)
UK	12 (0.7%)	France	22 (1.3%)
Cyprus	13 (0.8 %)	Spain	23 (1.4%)
Poland	14 (0.9%)	Belgium	26 (1.6%)
Hungary	15 (0.9%)	CR	26 (1.6%)
Malta	16 (1.0%)	Italy	36 (2.2%)
Germany	17 (1.0%)	Luxembourg	42 (2.6%)
Netherlands	17 (1.0%)	Greece	45 (2.8%)
Slovenia	17 (1.0%)	Portugal	49 (3.0%)

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/126

Will Germany Lose "Golden Share" in VW?

The Germany law on Volkswagen, which protects the largest European automaker from a foreign takeover and guarantees German public bodies and unions a majority share **has been called illegal** by an advocate general to the European Court of Justice (ECJ).

A decision of advocate general to the ECJ Ruiz Colomer dated 13 February questioned a **clause guaranteeing the lasting influence of the German Federal government and the state of Lower Saxony over Volkswagen**, regardless of who actually holds shares in the German automaker. The clause gives any investor holding more than a fifth of the company's shares a maximum of 20% of voting rights. It also requires a no less than 80% majority for decisions of the general meeting. In actual fact this means that Lower Saxony can block all decisions by the general meeting and exercise full control over the company, although it only holds 20.8% of shares in Volkswagen.

The Volkswagen law is therefore in **conflict with basic European law about the free movement of capital**, says advocate general Colomer. According to the ECJ representative, Germany has also not shown enough interest in maintaining its golden shares, so he proposes imposing the duty of rescinding the controversial law on Germany. Advocate generals' recommendations are followed by the whole Court of Justice in 80% of cases.

The dispute is a result of an action filed by the European Commission in March 2003 for the overturning of the controversial Volkswagen law dating from 1960.

We believe that at the start of the 21st century, at a time of globalisation and deepening integration of European countries, **this archaic law has no foundation**. We trust that the European Court of Justice, by applying the policy of removing barriers to the free movement of capital and in accordance with common sense, will rescind the act.

http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=EN&Submit=Rechercher$docrequire=alldocs&numaff=C-112/05&datefs=&datefe=&nomusuel=&domaine=&mots=&resmax=100

Internal Market Operation Should Improve

The European Commission wants to make it harder for some member states to block imports of specific types of goods for reasons of alleged incompatibility of national safety standards. According to a newly introduced package of proposals a company exporting to other member states **would no longer have to undergo expensive tests to show that their goods are in accordance** with the rules and standards of another country. Instead of this, the relevant bodies of the country into which they are imported would have to prove, to prevent the goods from being allowed into the markets there, at their own expense, that the goods are in conflict with the required safety standards. All member countries should also create "**Product Contact Points**" that could help companies that are encountering barriers to trade between member states.

The plan is focused on facilitating cross-border trade in goods that are **not harmonised at the European level by any directive or regulation**, such as kettles and bicycles. This area is theoretically governed by the "mutual recognition" principle, which says that the goods legally marketed in one EU country can be marketed in other member states. Each member state, however, reserves the right to introduce additional safety standards and, as a consequence of this, the key principle is not always respected.

"In actual fact we are talking about a large number of national technical rules and we are not always convinced that the rules serve to protect the health of consumers or the environment," explained **deputy chairman of the European Commission Günter Verheugen**, who is responsible for the enterprise and industry portfolio.

The aforementioned problem especially affects small and medium-sized enterprises, which, because of the high costs of additional testing, are **deterred from trading their products across borders**.

European Commissioner Vladimír Špidla presented his new strategy, the aim of which is to reduce the number of occupational diseases and industrial injuries in the EU by a quarter within five years. After self-regulation did not bear fruit, the European Commission has come up with a legislative plan according to which automakers have to push CO2 emissions under a maximum of 130 grams per kilometre travelled.

The decisive word on the adoption of these measures belongs to the EU Council and the European Parliament. Given the protectionist tendencies of a number of EU member states, it **will not be easy to push the proposal through**.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/181

EMPLOYMENT AND SOCIAL AFFAIRS

Commission Wants to Reduce Industrial Accidents by a Quarter

Based on the newly-adopted five-year strategy on health and safety at work, the **number of occupational diseases and industrial accidents in the EU should fall by 25%.** The strategy is linked to favourable developments in past years – between 2002 and 2004 there was a 17% fall in fatal accidents and a 20% fall in industrial accidents. Nevertheless, progress remains unbalanced in the various member states and industrial areas.

Occupational diseases and industrial accidents, however, are still a significant burden on employees, employers and social systems in EU countries. The most room for further **improvements is in small and medium enterprises**, where 82% of all industrial accidents and 90% of fatal accidents occur. Workers in construction, agriculture, transport and health care are exposed to a greater than average risk of industrial accidents.

The new strategy sets out a number of measures at the European and internal levels, in the following main areas:

- **Improvements and simplifications of current legislation** and improvements in its implementation in practice with the help of non-binding tools (e.g. exchange of tried-and-tested procedures, information campaigns, training);
- **Setting and practical implementation of national strategies** for each member state separately that should focus on problem areas and set the national aims for reducing the number of industrial accidents and occupational diseases.
- **Taking into account work health and safety** in other areas included in national and European policies (education, public health, research).
- Better identification and assessment of possible new risks by **strengthening research, exchanging knowledge and applying results in practice**.

European Commissioner Vladimír Špidla has indicated that companies that pay more attention to work safety will **obtain certain financial benefits**, for example in the form of reduced social security payments.

Reductions in social security payments for companies that invest more in work safety, and therefore have less industrial accidents, are a **logical idea**. Less industrial and, especially, fatal accidents place less demand on social security systems, and public finance in general. We are, however, **not so sure whether this should be dealt with at the European Union level**, as social systems have not yet been harmonised.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/204

AGRICULTURE AND FISHERIES

European Parliament against Curtailing Payments in Agriculture

The European Parliament has again **rejected a proposal by the European Commission for the voluntary differentiation of direct payments** in agriculture, which Euro-deputies did not approve last November, and invited the European Commission to withdraw the newly proposed rules.

The basis of the rejected proposal is that EU member states **can curtail all direct payments by up to 20%.** There should be an exception for small farmers who receive less than € 5,000 in direct payments every year. Member states can then use such funds to increase expenditure for countryside development.

The European Council approved a **curtailment of funds for rural development** (approx. € 69 billion instead of approx. € 88 billion) in December 2005. The reduction should be partially compensated for by the transfer of funds from direct payments.

According to the majority opinion of Euro-deputies, the Commission's proposal leads to **"re-nationalisation", or a renunciation of the common agricultural policy**. In addition, each country could transfer another part of direct payments for countryside development (when respecting a maximum ceiling of 20%), which would lead to various levels of agricultural payments in different countries and also to interference with the competitive environment in agriculture.

The European Parliament has also urged that it discuss the matter using the **co-decision procedure** and is not just consulted.

The Euro-deputies' opinion is not legally binding. The problem will now be examined by the European Commission and the EU Council, which asked the Commission to submit the proposal in 2005.

The EU's **common agricultural policy is crying out for reform**. If a reduction in overall subsidies is not pushed through, the right path is shifting funds from direct support to countryside development projects. Nevertheless, voluntary shifts in individual member states are evidently not the best way, as this would lead to distortions on the internal market in agricultural products in the EU.

http://www.europarl.europa.eu/news/expert/infopress_page/032-3014-043-02-07-904-20070208IPR02895-12-02-2007-2007-false/default_en.htm

ENVIRONMENT

EU Plans to Reduce Car Emissions

After the **failure of a voluntary agreement between automakers to restrict CO2 emissions**, the European Commission has reached for its regulatory power and proposed a strategic plan according to which all **new cars should emit into the atmosphere a maximum of 130 grams of CO2 for each kilometre** travelled. The overall aim is to reduce emissions to 120 g/km – the reduction by an additional 10g/km should be achieved through the wider use of biofuels, more economical tyres and air conditioning, better road traffic management and more economical driving by drivers.

The beginning of the Commission's attempts to reduce emissions of greenhouse gases from vehicles dates from the middle of the 1990s. In 1998 a voluntary agreement between the European Commission and the European Automobile Manufacturers Association (ACEA) set out that by 2008 car CO2 emissions would be **pushed below 140 g/km**. Japanese and Korean automakers undertook to achieve the same aim by 2009.

Although there was a reduction in average emissions from 186 g/km in 1995 to 163 g/km in 2004, progress is insufficient in the Commission's opinion **industry self-regulation has not brought the desired fruit**. Instead, it therefore plans to implement binding measures such as directives or regulations.

Other items in the strategy for reducing CO2 emissions from vehicles:

- **Increasing investment in fuel efficiency research** in such a manner than average emissions of 95 grams of CO2 per kilometre travelled are reached in 2020;
- **Incentives from member states** to stimulate the purchase of vehicles that are more fuel efficient (e.g. through taxes on cars);
- A request for the automobile industry to conclude with the EU an **ethical code about marketing and advertising for automobiles**, with the aim of supporting consumer behaviour directed at sustainable development.

The current strategy will be, in connection with the consultation process and the drafting of impact studies specified into the form of a **proposal of specific legislative measures by the European Commission, probably at the end of 2007/beginning of 2008**. However, there will be a tough battle about future regulation. Opposition by member states, which, in addition to the European Commission, will approve the proposal in the EU Council, is being led by Germany, whose producers of powerful luxury cars clearly exceed the set value.

The Czech Republic is a country that is above-averagely dependent on the automobile industry. **Its restriction could lead to negative economic consequences here**. The attempt by the European Commission to fight climate change is correct, but the burden of reducing vehicle emissions should not be imposed only on automakers. The state should get more involved through tax tools, the construction of quality transport infrastructure, transport management, and requirements for wider use of biofuel; automakers' suppliers, such as the aforementioned producers of tyres and air conditioning, also have a role to play.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/155

Parliament Supports Amendment to Waste Directive

The amendment to the Waste Act has passed on its first reading in the European Parliament. Its aim is to achieve, **stabilisation in the quantity of waste, at least, by 2012** and a significant reduction by 2020.

There is half a ton of waste for each European every year and less than a third of it is recycled. In 2005 the Commission proposed an amendment to the relevant 1975 directive with the aim of setting out the rules for recycling and imposing on EU member states **binding national programmes to reduce waste production**.

European Commissioner for Justice and Home Affairs Franco Fratinni has presented a new directive that binds member states to regard serious offences endangering the environment as criminal offences. The Czech government has approved the National Strategic Reference Framework and the last of the operating programmes and will soon send them to Brussels for approval.

The directive should also set "measures aimed at minimising the total impact on the environment and health related to waste and waste disposal, which should also contribute to a reduction in the use of resources." To increase the producer's responsibility, member states and the Union are to take measures based on which producers or importers responsible for waste that arises as a consequence of the marketing of their markets. According to Euro-deputies, the costs of waste disposal should, in accordance with the "**polluter pays**" principle, be borne by waste holders or the makers of the product that gave rise to the waste.

Whilst debating the directive, Parliament urges a clarification of the difference between waste and ancillary products that can be used industrially, such as glass, metal and compost. In the interests of reducing the volume of dumps and incineration, Parliament refused to include incineration in the waste use category. If this amendment is included in the final version of the directive, it will **make it harder to dispose of waste by incinerating it**.

Euro-deputies are also requesting a new five-stage hierarchy for waste processing that priorities **waste recovery and recycling over incineration and dumping**.

The proposal will now move to the EU Council as a part of the co-decision procedure.

http://www.europarl.europa.eu/news/expert/infopress_page/064-3005-043-02-07-911-20070208IPR02886-12-02-2007-2007-false/default_en.htm

JUSTICE AND HOME AFFAIRS

Will Criminal Law Protection of the Environment be Harmonised?

European Commissioner for Justice and Home Affairs Franco Fratinni has presented a new directive that binds member states to regard **serious offences endangering the environment such as illegal discharge** of dangerous substances into the atmosphere, water or soil, which is unlawful waste disposal, and unauthorised trading in endangered species of animals as **criminal offences**. The directive also sets out minimum sanctions for such offences.

"The aim is to eliminate a safe haven for environmental crimes in the European Union," said Commissioner Frattinni. The draft directive follows a **key ruling by the European Court of Justice** in September 2002 that annulled an attempt by member states to shift the area of environmental crime to the third EU inter-governmental pillar.

Despite this, there was resistance on the part of member states, as this is the **first interference with national sovereignty in the area of criminal law**. Some states did not even regard serious breaches of environmental protection laws as criminal offences and their definitions were very different.

http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/166

REGIONAL POLICY

Government Approves All Key Documents for Drawings on EU Funds

Drawings on European structural funds and the Cohesion fund in the new programme period 2007–2013 are again a little nearer. At a meeting at the end of February the **government approved the National Strategic Reference Framework (NSRF),** which represents the basic programme document for the Czech Republic for the use of EU funds, as well as the **Integrated Operating programme**, which was the last domestic operating programme waiting for a government opinion.

The next step is to send the NSRF and all operating programmes to the **European Commission, which has to give them the green light**. When the documents are officially handed over by the relevant member state to the European Commission, which should occur at the start of March during a visit by Minister for Regional Development Jiří Čunek to Brussels, their approval process starts at the European level.

At a meeting of the European Parliament, **Regional Policy Commissioner Danuta Hübner** stated that as far as concerns the Czech Republic, the European Commission will try to bring forward the deadlines for assessing documents and believes that the majority will be adopted in 2007.

The European Commission will have **four months to comment on the documents** sent and the operating programmes will be officially announced in the Czech Republic after four months. Invitations to submit projects, however, can be announced before an OP is officially approved. Any drawings, however, are exposed to the risk that the European Commission might change the programmes during the approval process.

We believe that the first invitations to submit projects can be declared at the **end of the second/beginning of the third quarter** and most of the invitations at the end of this year.

http://www.mmr.cz/index.php?show=001021594

The fifteenth anniversary of the signature of the EU Treaty, aka the Treaty of Maastricht, which established the European Union and prepared the path for the single European currency, fell on 7 February. After a year of parliamentary investigation of the alleged illegal activities by the CIA in Europe, Parliament adopted the final report last week. The document states that the CIA conducted more than 1,245 flights over European airspace. The richest region in the EU was again Inner London.

1 FEBRUARY

Report on the first ever European Equality summit and launch of 2007 European Year for Equal Opportunities: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=204

2 FEBRUARY

Launch of the new EU Culture Programme (2007–2013): http://ec.europa.eu/culture/eac/culture2007/launch_en.html

Remarks by the European Central Bank on the oversight of SWIFT: http://www.ecb.eu/press/pr/date/2007/html/pr070201.en.html

5 FEBRUARY

Country Focus publication - 'Foreign Direct Investment in the Czech Republic: A Challenge for Domestic Firms': http://ec.europa.eu/economy_finance/publications/country_focus/2007/countryfocus2_en.htm

Unfair Commercial Practices Directive - explanatory brochure: http://ec.europa.eu/consumers/cons_int/safe_shop/fair_bus_pract/index_en.htm

6 FEBRUARY

Call for coordinated action to achieve Lisbon goals: http://www.europarl.europa.eu/news/expert/infopress_page/042-2710-036-02-06-907-20070205IPR02709-05-02-2007-2007-false/default_en.htm

Results of the consultation regarding community action on health services: http://ec.europa.eu/health/ph_overview/co_operation/mobility/results_open_consultation_en.htm

7 FEBRUARY

15th Anniversary of the Maastricht Treaty: http://ec.europa.eu/economy_finance/news/hotissues/2007/maastricht_15years_en.htm

Energy and Transport: COMPETE - analysis of the contribution of transport policies to the competitiveness of the EU economy and comparison with the United States: http://ec.europa.eu/ten/transport/studies/index_en.htm

8 FEBRUARY

Driving safely when using in-vehicle ICT systems: http://ec.europa.eu/information_society/newsroom/cf/itemlongdetail.cfm?item_id=3191

European businesses seen through statistics: http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2007/PGE_CAT_PREREL_YEAR_2007_MONTH_02/4-08022007-EN-AP.PDF

Apparent labour productivity (thousand euro per person employed) in post and telecommunications

Luxembourg	214.3	Sweden	69.4
Ireland	154.4	Finland	69.0
Italy	108.3	Malta	60.3
Netherlands	105.5	Slovenia	47.2
Portugal	104.5	Estonia	34.3
Spain	97.9	**CR**	**33.5**
Cyprus	96.6	Hungary	33.4
Belgium	87.2	Poland	30.8
Austria	84.7	Latvia	28.4
United Kingdom	82.1	Slovakia	23.8
EU-25	**77.6**	Lithuania	21.8
France	75.9	Bulgaria	15.0
Germany	73.2	Romania	14.8
Denmark	70.7	Greece	n/a

Source: Eurostat, in 2003

9 FEBRUARY

Commissioner Mandelson renews call for international rules on energy trade and 0% tariff on green goods: http://trade.ec.europa.eu/doclib/html/133278.htm

EC adopts Green Paper on the Review of the Consumer Acquis: http://ec.europa.eu/consumers/cons_int/safe_shop/acquis/index_en.htm

12 FEBRUARY

Energy and Transport: Oil Stock Situation: http://ec.europa.eu/energy/oil/stocks/index_en.htm

Commission welcomes international agreement to boost trade in new pharmaceuticals: http://trade.ec.europa.eu/doclib/html/133284.htm

13 FEBRUARY

External Relations Council meeting - Brussels, 12.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=92758.pdf

General Affairs Council meeting - Brussels, 12.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=92757.pdf

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

14 FEBRUARY

Ninth meeting of the Cooperation Council between the European Union and the Kyrgyz Republic:

http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/er/&filename=92765.pdf

Cooperation Council between the EU and Kazakhstan: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/er/&filename=92763.pdf

General report on the EU's activities in 2006 published: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/171

15 FEBRUARY

Remarks by the ECB on a resolution passed by the European Parliament relating to the operations of SWIFT: http://www.ecb.eu/press/pr/date/2007/html/pr070215.en.html

16 FEBRUARY

Transport, Telecommunications and Energy Council meeting - Brussels, 15.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/trans/&filename=92802.pdf

Justice and Home Affairs Council meeting - Brussels, 15.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/jha/&filename=92800.pdf

External Relations Council meeting - Brussels, 12.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/gena/&filename=92758.pdf

Macro-economic forecasts - interim forecasts updated: http://ec.europa.eu/economy_finance/about/activities/activities_keyindicatorsforecasts_en.htm

19 FEBRUARY

Education, Youth and Culture Council meeting - Brussels, 16.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/educ/&filename=92819.pdf

GDP per inhabitant in 2004 ranged from 24% of the EU27 average in Nord-Est in Romania to 303% in Inner London: http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2007/PGE_CAT_PREREL_YEAR_2007_MONTH_02/1-19022007-EN-AP.PDF

Council Conclusions on the contribution of the transport sector to the Lisbon strategy: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/intm/&filename=92820.pdf

20 FEBRUARY

Competitiveness Council meeting - Brussels, 19 February 2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/intm/&filename=92842.pdf

EU reform strategy delivering jobs, says new report: http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=206

21 FEBRUARY

CIA report - MEPs reflect on the controversy: http://www.europarl.europa.eu/news/public/story_page/017-3275-050-02-08-902-20070216STO03274-2007-19-02-2007/default_cs.htm

Environment Council meeting, Brussels 20.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/envir/&filename=92864.pdf

22 FEBRUARY

Council Conclusions on the Health Security Committee: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/lsa/&filename=92897.pdf

23 FEBRUARY

Scenario Analysis: Estimating the effects of changing the funding mechanisms of EU Deposit Guarantee Schemes: http://ec.europa.eu/internal_market/bank/guarantee/index_en.htm#061106

26 FEBRUARY

European football: sport or business?: http://www.europarl.europa.eu/news/public/story_page/041-3541-057-02-09-906-20070222STO03532-2007-26-02-2007/default_en.htm

27 FEBRUARY

EEA: Transport - bottom of the Kyoto class again: http://www.eea.europa.eu/pressroom/newsreleases/doprava-v-kjotske-klasifikaci-opet-mezi-nejhorsimi

28 FEBRUARY

Economic and Financial Affairs Council meeting - Brussels, 27.02.2007: http://www.consilium.europa.eu/cms3_applications/applications/newsroom/LoadDocument.asp?directory=en/ecofin/&filename=92984.pdf

The main event in March will undoubtedly be a meeting of the heads of the member states at the European Council in Brussels. The main topic of the EU's spring summit will be proposals for the EU's common energy policy and the fight against global warming. The discussions will probably concern the plan to reduce the administrative burden on entrepreneurs, considerations about common provisions on corporate taxation and the future of the European constitution.

Meeting of the key EU institutions

1.-2.3.2007	**Wiesbaden, Germany**
- Informal Meeting of Defence Ministers	
5.-6.3.2007	**Brussels, Belgium**
- General Affairs and External Relations Council	
8.-9.3.2007	**Brussels, Belgium**
- European Council	
14.3.2007	**Strasbourg, France**
- EP Plenary	
19.-20.3.2007	**Brussels, Belgium**
- Agriculture an Fisheries Council	
22.3.2007	**Brussels, Belgium**
- Transport, Telecommunications and Energy Council	
27.3.2007	**Brussels, Belgium**
- Economic and Financial Affairs Council (ECOFIN)	
30.-31.3.2007	**Bremen, Germany**
- Informal Meeting of Foreign Affairs Ministers	

Public consultation on EU legislation

Topic of the consultation	Organiser	Deadline
Public consultation on Solvency II	DG MARKT	23.3.2007
More effective regulatory system for financial services	DG MARKT	26.3.2007
European Credit system for Vocational Education and Training	DG EAC	30.3.2007
Improving the efficiency of the enforcement of judgements in the EU	DGO JHA	31.3.2007
Modernising labour law	DG EMPL	31.3.2007
Europe's Trade Defence Instruments in a changing global economy	DG TRAD	31.3.2007

From the beginning of January we have been in a new programme period for structural operations as a part of the EU's regional policy. Obviously, this period is not important only for the implementation of significant projects in the Czech Republic, but the remaining 26 member states will also take advantage of the opportunities offered by structural operations.

ALLOCATION OF EU STRUCTURAL FUNDS IN MEMBER STATES - PART II

Continued from previous edition

In the last edition we opened the topic of the allocation of EU structural funds in the various member states. In addition to the total amount of funds, we looked at their structure. In each country we analyse how much funding will be allocated to intervention in the new programme period 2007 to 2013:

- Cohesion Fund;
- Convergence objectives;
- Regional Competitiveness and Employment objectives;
- European Territorial Co-operation objectives,
- As a part of Phasing-in support,
- As a part of Statistical Phasing-out support.

Comparisons cannot be made solely at the level of the types of assistance from the EU's structural and cohesion policy, but between the various states and between the current programme period 2007–2013 and the last programme period 2000–2006.

In the last edition we focused on countries from Belgium to Malta (sorted alphabetically in Czech), now we take a look at those from the Netherlands to the United Kingdom.

COMPARISON OF ALLOCATIONS TO EU MEMBER STATES IN PROGRAMMING PERIODS 2007 - 2013 AND 2000 - 2006

The Netherlands

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Phasing-out	123		
Objective 2	878	Regional Competitiveness and Employment	1.473
Objective 3	1.861		
Community Initiatives	676	European Territorial Cooperation	219
Total	**3.538**	**Total**	**1.692**

In the last programme period the Netherlands reported a further increase in its economic prosperity, which was evident as all its regions left the categories that define the various levels of handicaps. The Netherlands as a whole is now classified only in the category of regions with support for competitiveness and employment.

Germany

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Objective 1	17.594	Convergence	10.527
Phasing-out	667	Statistical phasing-out	3.761
Objective 2	3.875	Regional Competitiveness and Employment	8.349
Objective 3	5.058		
Community Initiatives	1.639	European Territorial Cooperation	754
Total	**28.833**	**Total**	**23.391**

From the viewpoint of social and economic characteristics, Germany is still a “divided” country with a marked heterogeneousness in the regions. In the western part of Germany the majority of regions have moved to the category of regions affected by the competitiveness and employment objectives. The majority of east German states are drawing from the Convergence objective.

Poland

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion fund	4.134	Cohesion fund	19.513
Objective 1	6.721	Convergence	39.388
Community Initiatives	347	European Territorial Cooperation	648
Total	**11.202**	**Total**	**59.549**

Thanks to its size, the absolute winner from the viewpoint of an increase in the total amount is Poland, which, in comparison with the previous period, did almost € 50 billion better in the whole programme period. Most structural assistance is concentrated on the use of monies from the Cohesion Fund and to achieve the first convergence objective. An almost negligible share of the allocation is focused on European Territorial Co-operation.

Portugal

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion fund	3.388	Cohesion fund	2.715
Objective 1	15.634	Convergence	15.202
		Statistical phasing-out	253
Phasing-out	2.817	Phasing-in	406
		Regional Competitiveness and Employment	435
Community Initiatives	657	European Territorial Cooperation	88
Total	**22.496**	**Total**	**19.099**

The picture of Portugal from the viewpoint of regional development is similar to new EU member states, where, with the exception of the capital Lisbon and the tourist coastal region of the Algarve, the rest of the country in continental Europe is in the weakest – convergence – regional division. Portugal, however, also includes the Azores and Madeira, which make the country’s regional characteristics much more varied, so in the end Portugal is covered by all imaginable forms of structural operations.

Austria

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Objective 1	240	Statistical phasing-out	158
Objective 2	751	Regional Competitiveness and Employment	912
Objective 3	583		
Community Initiatives	356	European Territorial Cooperation	228
Total	**1.930**	**Total**	**1.297**

Austrian regional development showed positive movement in the previous programme period. The federal state Burgenland was the only exception, but in the previous period even that moved from the weakest Objective 1 to the regional phasing-out classification. However, the largest volume of funding for Austria is for regional competitiveness and employment.

Romania

Allocations 2007-2013 Million EUR, 2004 prices	
Cohesion Fund	5.755
Convergence	11.115
European Territorial Cooperation	403
Total	**17.273**

Romania, a brand new member country, cannot be properly compared with the previous programme period. Despite this, a look at the map of Romania's development shows it is entirely uniform, as Romania is at the very bottom of the EU in terms of economic development and its regions are therefore covered by the convergence objective.

Greece

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion Fund	3.388	Cohesion Fund	3.280
Objective 1	20.458	Convergence	8.358
		Statistical phasing-out	5.765
		Phasing-in	582
Community Initiatives	857	European Territorial Cooperation	186
Total	**24.703**	**Total**	**18.172**

A relatively varied picture of regional economic development and currently visible improvements in the economic situation in a number of regions is offered by Greece. In the previous period Greece, as a whole, was covered by the red of the least developed regions in Objective 1, whereas in the current programme period 2007 – 2013 the regional map of Greece has all colours. None of the Greek regions has yet reached the highest place of a region supporting competitiveness and employment, but two Greek regions achieved the second highest degree of phasing-in, and another two are classified as phasing-out regions.

Slovakia

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Cohesion Fund	546	Cohesion Fund	3.424
Objective 1	838	Convergence	6.215
Objective 2	36	Regional Competitiveness and Employment	398
Objective 3	44		
Community Initiatives	62	European Territorial Cooperation	202
Total	**1.544**	**Total**	**10.239**

The picture of our eastern neighbour is relatively typical and repeated in the case of countries where the economic development of the capital significantly exceeds that in the remainder of the country. So Bratislava region is in the group of most developed regions in the whole EU and the rest of Slovakia is uniformly shown in the red of the convergence

objective. Slovakia therefore completely copies the structure of structural operations in the Czech Republic, and also has almost identical trends.

Slovenia

Allocations 2000-2006 Million EUR, 2004 prices		Allocations 2007-2013 Million EUR, 2004 prices	
Cohesion Fund	187	Cohesion Fund	1.236
Objective 1	207	Convergence	2.401
Community Initiatives	29	European Territorial Cooperation	92
Total	**423**	**Total**	**3.729**

A view of the regional development of Slovenia is interesting, as well as clear at first glance when visiting this country, and contrasts with most post-communist countries: Slovenian regional development is very balanced, free of significant differences between cities and the countryside. From the viewpoint of classification for the purposes of regional EU policies it is a single NUTS 2, which is classified in the weakest regional convergence category.

Spain

Allocations 2000-2006 Million EUR, 2004 prices		Allocations 2007-2013 Million EUR, 2004 prices	
Cohesion Fund	12.357	Cohesion Fund	3.242
Objective 1	34.796	Convergence	18.680
		Statistical phasing-out	1.431
Phasing-out	325	Phasing-in	4.483
Objective 2	2.926	Regional Competitiveness and Employment	3.125
Objective 3	2.363		
Community Initiatives	1.904	European Territorial Cooperation	496
Total	**54.671**	**Total**	**31.457**

Spain confirms its reputation as one of the most regionally varied countries in the EU and has various interesting aspects in connection with this policy. In the last programme period Spanish regions showed a significant shift forward. Seven of them even managed to climb to (or in some cases defend) the position of the best classified regions under regional competitiveness and employment, others are at other classification stages; only four of them, which are large, are in the weakest convergence objective. Spain is still a cohesion country and can therefore continue to draw on the Cohesion Fund.

Sweden

Allocations 2000-2006 Million EUR, 2004 prices		Allocations 2007-2013 Million EUR, 2004 prices	
Objective 1	665		
Objective 2	448	Regional Competitiveness and Employment	1.443
Objective 3	795		
Community Initiatives	286	European Territorial Cooperation	235
Total	**2.194**	**Total**	**1.678**

From the viewpoint of the EU's regional policy, Sweden is pretty much a country that does not stand out, although it can be seen to have undergone significant changes when the two periods are compared. In the previous programme period about half

of Sweden (represented by three NUTS 2 cohesion regions) was made up of areas classified under the weakest Objective 1 and other regions and areas in the country were classified differently, whereas now the regional map of Sweden is only one colour – blue in the highest possible category of regional competitiveness and employment.

The United Kingdom

Allocations 2000-2006 Million EUR, 2004 prices		**Allocations 2007-2013** Million EUR, 2004 prices	
Objective 1	5.200	Convergence	2.430
		Statistical phasing-out	158
Phasing-out	1.192	Phasing-in	881
Objective 2	5.184	Regional Competitiveness and Employment	5.336
Objective 3	5.043		
Community Initiatives	1.003	European Territorial Cooperation	649
Total	**17.622**	**Total**	**9.444**

The United Kingdom also has a surprising amount of variation in its regional social and economic development, and contains both the undisputed richest NUTS 2 region in the whole EU – Inner London, and regions in southeast England only a few hundred kilometres away that are covered by the Competitiveness objective. In between them are the Scottish phasing-out regions and areas, as well as Midlands regions in the phasing-in classification.

SUMMARY

This contribution should approximate and, on a comparable basis, enable comparisons of the funds that can be used for structural operations in the various member countries in the programme period 2007 – 2013, and also show how the extent and structure of their positions changed in comparison with the previous period 2000 – 2006. It should be pointed out that the contribution uses overall allocations, which are the maximum possible potential a country can draw in a programme period.

The real results depend on the ability of each member state to make these opportunities reality and actually obtain the funding for their country. Last but not least, it should be added that obtaining funding should not be an end in itself, but only a means to actually increasing the social and economic qualitative parameters of the various regions and, as a consequence, national economies in the various EU member states.

In the current edition of our EU News Monthly we introduce another new country from southeast Europe that has expanded the European Union to a 27-member organisation. According to the GDP per capita indicator (at purchasing power parity), Bulgaria is the economically weakest member state. However, it has an advantage in the form of fiscal order. Public debt is not at levels that cannot be financed and the balance of public budgets is positive.

BULGARIA

Government type/chief of state	republic / president Georgi Parvanov
Area (share of EU)	110 990 km2 (2.6%)
Population (share of EU)	7 718 750 (1.6%)
Age structure	0-14 years: 13.8%, 15-64 years: 69.1%, over 65 years: 17.1%
Total GDP (share of EU)	21.4 EUR bn (0.20%)
GDP per capita in PPS	32.9% of EU-25 average
GDP - composition by sector	agriculture: 9.3%, industry and constr.: 30.4%, services: 60.3%
Average inflation	6.0%
Average unemployment	10.1%
GDP growth	5.5%
General govern. balance	+3.1% of GDP
General government debt	29.9% of GDP
Number of NUTS2	6 NUTS2: Yugozapaden: 49.1%; Severozapaden 25.6%

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

As we remarked in the last edition of the EU News Monthly, when we introduced Romania, there is a whole range of parallels, primarily of a structural character, between the two Balkan super-rookies.

So, the same as in Romania, Bulgarian economic development in the 1990s was hard, difficult and complicated; in terms of the direction and in terms of the subsequent adoption of aggressive action in the form of restrictive economic policy tools it was perhaps even more radical.

The difficulties for Bulgarian economic development in this period were largely a result of the collapse of COMECON at the start of the 1990s, the disintegration of neighbouring Yugoslavia, and evidently the deepest financial crisis of all countries in Central and Eastern Europe in 1996 and 1997. To get over this crisis, which had significant macroeconomic and political consequences, it adopted a whole number of restrictive and stabilising measures, and since then Bulgarian economic trends can be regarded as having been positive.

One of the very aggressive stabilisation measures was, for example, the introduction of an exchange rate and currency system, based on which the lev's exchange rate was tied first to the German mark and then, after the Euro's introduction, to the single European country. This measure significantly helped renew trust in the Bulgarian currency and stabilised price developments.

When we focus on the current performance of the Bulgarian economy, we cannot fail to see its marked dynamism, as GDP growth in 2005 reached 5.5% and it is expected to be around 6% in 2006. The main accelerators of economic growth in the Bulgarian economy are now investment and private consumption, which is growing faster than total GDP (in 2005 year-on-year growth was 6.4%), which could become a risk for future economic development in the medium term.

Despite this very dynamic economic growth, the real convergence game of approximating the Bulgarian economy to average GDP per capita values in the EU, at least, will take a very long time. Together with Romania, Bulgaria is the poorest country in the EU-27, with a GDP per capita of only 32.1% of the EU average (for comparison: the poorest Czech region is approximately twice as rich, the Czech Republic as a whole is about two and a half times richer, the richest EU country – Luxembourg – approximately eight times richer and the richest region – Central London – approximately ten times richer).

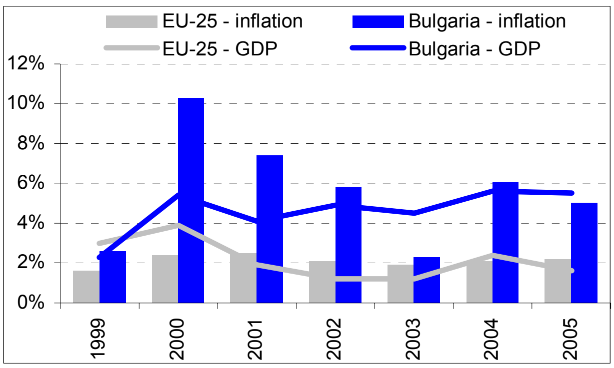
Bulgaria could serve as an example of fiscal discipline. Few EU countries are able to generate a budgetary surplus; the Bulgarian one in 2006 was almost 3.3% of GDP; the current amount of public debt expressed as a percentage of GDP is relatively very low (25.8% in 2006).

The Bulgarian unemployment rate is at a value near the EU average and the trend is towards a slow fall – at the end of 2006 it was 9%, whereas a year earlier it was ten percent.

The external balance of Bulgarian foreign trade seems to be risky; the trade deficit exceeded 20% of GDP, the current account deficit is greater than 13%. Its being a member of the EU Single Internal Market should lead to a significant reduction in these deficits in subsequent periods.

It may surprise some, but Bulgaria has decided to join the Eurozone fast. It would be no surprise if this year Bulgaria enters the ERM 2 exchange rate stabilisation mechanism, with the ambition of becoming a member of the Eurozone at the very start of the next decade.

Inflation and GDP



Source: Eurostat

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

Key macroeconomic indicators

	GDP growth y-on-y			Current account to GDP*			Unemployment rate			Inflation y-on-y average		
in %	2003	2004	2005	2003	2004	2005	XI-06	XII-06	I-07	XI-06	XII-06	I-07
Belgium	1.0	3.0	1.1	4.5	3.6	2.5	7.9	7.8	7.8	2.0	2.1	1.7
Bulgaria	4.5	5.7	5.5	-5.5	-5.8	-11.3	8.1	8.2	8.5	5.9	6.1	6.9
CR	3.6	4.2	6.1	-6.5	-6.3	-2.7	6.8	6.7	6.6	1.0	1.5	1.4
Denmark	0.7	1.9	3.0	3.2	2.3	2.9	3.3	3.2	n/a	1.8	1.7	1.8
Germany	-0.2	1.2	0.9	2.0	3.9	4.2	8.0	7.9	7.7	1.5	1.4	1.8
Estonia	7.1	8.1	10.5	-11.5	-12.5	-11.1	4.5	4.3	4.2	4.7	5.1	5.0
Ireland	4.3	4.3	5.5	0.0	-1.0	-3.1	4.3	4.5	4.4	2.4	3.0	2.9
Greece	4.8	4.7	3.7	-10.0	-9.5	-9.2	n/a	n/a	n/a	3.2	3.2	3.0
Spain	3.0	3.2	3.5	-4.0	-5.9	-7.5	8.6	8.6	8.6	2.7	2.7	2.4
France	1.1	2.3	1.2	0.2	-0.6	-2.1	8.6	8.5	8.4	1.6	1.7	1.4
Italy	0.0	1.1	0.0	-0.9	-0.5	-1.1	n/a	n/a	n/a	2.0	2.1	1.9
Cyprus	1.9	3.9	3.8	-0.9	-5.3	-5.7	4.7	4.7	4.7	1.3	1.5	1.4
Latvia	7.2	8.6	10.2	-8.0	-12.9	-12.5	6.2	6.1	6.1	6.3	6.8	7.1
Lithuania	10.3	7.3	7.6	-6.8	-7.9	-6.9	5.7	5.8	6.3	4.4	4.5	4.0
Luxembourg	1.3	3.6	4.0	6.4	10.6	9.7	4.9	4.9	5.0	1.8	2.3	2.3
Hungary	4.1	4.9	4.2	-7.9	-8.4	-6.8	7.7	7.8	7.9	6.4	6.6	8.4
Malta	-2.4	0.0	2.2	-5.0	-7.5	-11.0	7.1	6.9	6.8	0.9	0.8	1.2
Netherlands	0.3	2.0	1.5	6.1	8.6	7.1	3.7	3.6	3.6	1.6	1.7	1.0
Austria	1.1	2.4	2.0	1.7	2.1	2.9	4.6	4.6	4.5	1.6	1.6	1.8
Poland	3.8	5.3	3.2	-2.1	-4.2	-2.2	13.0	12.8	12.6	1.3	1.4	1.7
Portugal	-1.1	1.2	0.4	-6.5	-7.8	-9.5	7.2	7.2	7.2	2.4	2.5	2.6
Romania	5.2	8.4	4.1	-4.8	-12.7	-8.7	7.8	7.8	7.5	4.7	4.9	4.1
Slovenia	2.7	4.4	4.0	-0.8	-2.6	-2.0	5.4	5.3	5.0	2.4	3.0	2.8
Slovakia	4.2	5.4	6.0	-2.1	-2.5	-7.9	12.2	11.8	11.0	3.7	3.7	2.2
Finland	1.8	3.5	2.9	5.9	7.6	4.6	7.4	7.2	7.0	1.3	1.2	1.3
Sweden	1.7	3.7	2.7	6.6	6.6	5.9	n/a	n/a	n/a	1.5	1.4	1.6
UK	2.7	3.3	1.9	-1.3	-1.6	-2.2	5.4	n/a	n/a	2.7	3.0	2.7
EU-25	1.3	2.4	1.7	0.2	0.3	-0.4	7.6	7.6	7.5	2.1	2.2	2.1

	Public budget to GDP*			Public debt to GDP			GDP per capita to Ø EU			Price level to Ø EU		
in %	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Belgium	0.0	0.0	-2.3	98.6	94.3	93.2	117.9	118.7	117.7	105.6	104.8	104.7
Bulgaria	0.3	1.9	3.1	46.1	38.6	29.9	31.0	31.8	32.9	40.5	41.2	42.7
CR	-6.6	-2.9	-3.6	30.1	30.7	30.4	68.3	70.5	73.8	54.0	54.5	57.8
Denmark	1.1	2.7	4.9	44.4	42.6	35.9	120.8	121.5	124.2	140.2	138.6	138.3
Germany	-4.0	-3.7	-3.2	63.9	65.7	67.9	108.1	108.0	109.3	104.8	103.9	103.1
Estonia	2.0	2.3	2.3	5.7	5.2	4.5	50.3	53.0	60.1	61.7	62.3	63.6
Ireland	0.3	1.5	1.1	31.1	29.7	27.4	133.7	135.8	137.5	125.7	124.7	123.0
Greece	-6.1	-7.8	-5.2	107.8	108.5	107.5	80.9	81.8	82.0	85.4	86.7	87.0
Spain	0.0	-0.2	1.1	48.7	46.2	43.1	97.4	97.7	98.6	88.2	90.2	91.9
France	-4.2	-3.7	-2.9	62.4	64.4	66.6	111.6	109.5	108.8	109.3	109.7	109.0
Italy	-3.5	-3.4	-4.1	104.3	103.9	106.6	107.6	105.5	102.6	103.4	104.5	104.8
Cyprus	-6.3	-4.1	-2.3	69.1	70.3	69.2	79.8	82.6	83.3	90.4	89.8	90.2
Latvia	-1.2	-0.9	0.1	14.4	14.5	12.1	40.8	42.8	47.2	54.9	55.1	55.5
Lithuania	-1.3	-1.5	-0.5	21.2	19.4	18.7	45.2	47.8	52.1	51.9	52.7	53.6
Luxembourg	0.3	-1.1	-1.0	6.3	6.6	6.0	232.7	237.5	247.5	102.9	104.3	104.5
Hungary	-7.2	-6.5	-7.8	58.0	59.4	61.7	60.1	60.9	61.4	58.0	61.1	62.4
Malta	-10.0	-5.0	-3.2	70.2	74.9	74.2	73.7	70.2	69.5	71.2	71.8	72.5
Netherlands	-3.1	-1.8	-0.3	52.0	52.6	52.7	124.7	124.4	124.2	107.1	105.2	104.5
Austria	-1.6	-1.2	-1.5	64.6	63.8	63.4	120.3	121.7	122.5	102.6	102.2	102.1
Poland	-4.7	-3.9	-2.5	43.9	41.8	42.0	46.9	48.7	49.8	54.2	52.8	59.7
Portugal	-2.9	-3.2	-6.0	57.0	58.6	64.0	72.7	72.3	71.3	85.7	86.1	86.0
Romania	-1.7	-1.3	-0.4	20.7	18.0	15.2	29.9	32.6	34.1	43.6	44.0	52.8
Slovenia	-2.8	-2.3	-1.4	28.5	28.7	28.0	75.9	79.2	80.6	75.9	74.9	74.5
Slovakia	-3.7	-3.0	-3.1	42.7	41.6	34.5	51.9	52.9	55.0	50.4	54.5	56.1
Finland	2.5	2.3	2.7	44.3	44.3	41.3	112.6	113.7	113.3	125.6	122.9	121.8
Sweden	0.1	1.8	3.0	51.8	50.5	50.4	115.6	117.1	114.5	122.5	121.0	117.3
UK	-3.3	-3.2	-3.3	38.9	40.4	42.4	116.4	117.1	116.5	104.1	104.4	103.7
EU-25	-3.0	-2.7	-2.3	62.0	62.4	63.3	100.0	100.0	100.0	100.0	100.0	100.0

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